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Der Rath

Special Issue:
**Established-Outsider Relations
& Figural Analysis**

Forum:
**Knowledge Transfer
as Intercultural Translation**

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«Formalization means a variety of procedures that match descriptions of events, structures, and processes with explicit models of those events, structures, and processes. Formal methods do not necessarily involve quantification or computing; analyses of linguistic, spatial, or temporal structure, for example, often proceed quite formally without computers and without any direct intervention of mathematics.»

Charles Tilly (1929–2008)

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Special Issue

Jason Hughes & John Goodwin (Eds.)

Figurational Analysis as
Historical and Comparative Method:
Established–Outsider Relations

Forum

Everhard Holtmann & Eun-Jeung Lee (Eds.)

Knowledge Transfer as
Intercultural Translation.
The German Reunification
as a 'Lesson' for Korea?

No. 157

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Forum

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Knowledge Transfer as Intercultural Translation in the German-Korean Context – Facing Possible Future Challenges within the Triangle of Unification, System Transformation and Societal Integration

*Everhard Holtmann, Eun-Jeung Lee & Christian Rademacher**

Abstract: »Wissenstransfer als interkulturelle Übersetzung im deutsch-koreanischen Kontext – Möglichen künftigen Herausforderungen begegnen im Dreieck von Vereinigung, Systemtransformation und sozialer Integration«. It is evident that Korea and Germany are embedded in different cultural traditions and are part of different scenarios of international politics. Acting on this general assumption, a coincidence of national unification and abrupt system change similar to the German process of transition does not seem likely. At most a policy of small steps may be an alternative. This is the reason why South Korean project partners are also interested in the antecedent times of two divided German states. From a theoretical perspective, the attempt of transferring the knowledge of unification to Korea requires a new contextualization of knowledge. This act can be understood as a process of transcoding. Having the practical expectations of Korean project partners in mind, a set of "manuals" has been worked out for seven domains of transfer. Additionally, a simulation game has been created and already tested. The written manuals may be useful to promote at least incremental steps towards a controlled institutional change of a dictatorial regime.

Keywords: System change, transcoding, domains of policy-transfer, controlled institutional change, national unification.

1. Comparing Germany and Korea – Specific Dimensions of Unification and System Change

The essays presented in this HSR Forum will serve to provide in a condensed form an overview of the results of the transfer project "Knowledge Transfer as

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Intercultural Translation: Development of Exemplary Practices of Transformation-preparing Activities in Korea” for selected working fields and problems.¹ The transfer project’s leading questions and results on their part are based on theoretical reflections and empirical findings which have been elaborated by the Collaborative Research Center 580 (“Social developments after structural change. Discontinuity, tradition, structural formation”) at the universities of Jena and Halle (Saale). The objective of the transfer project which was also co-funded by the German Research Foundation (DFG) was to “transfer select explanatory approaches and empirical findings of transformation research which had been compiled for the cases of unified Germany, and Eastern and Western Europe from a comparative-expanded perspective, to South Korea” (Holtmann and Lee 2012, 3).

All project members acknowledged from the outset that the situation of East and West Germany in 1989/90 is vastly different from the current situation on the Korean peninsula apart from the environment of national division and dependency on international conflict situations. Korea is not Germany – both states and civic societies took diverging historical paths of development a long time ago (Lee 2014). Moreover, Germany and Korea are embedded in different cultural traditions. The involvement into international power conflicts of both the divided partial states of Germany and Korea respectively resulted in contrasting developments: While the four powers of the former anti-Hitler coalition gave up their reservations about German reunification, such an agreement between the USA and China – North and South Korea’s protective powers – is still not in sight (Kydd 2015; Hundt 2010; Kim 2006, 2003).

Notwithstanding this, German unity keeps the hopes for a future national reunification aflame in the Republic of Korea. Since 1990, not only have over 5000 scientific papers about this topic been published, the issue has also been mentioned in parliamentary debates more than a similar number of times while simultaneously being an ongoing issue in the media. In this way a public discourse about the “lessons” of the German unification has emerged (Lee 2014).

The knowledge transfer was performed in two directions within the German-Korean project network. Firstly, findings and experiences, research questions and problem definitions regarding the German reunification are transferred into schemes or rather forms under consideration of the Korean expectations, i.e. more practically applicable forms. These forms “can serve as

¹ This transfer project was jointly financed by the South Korean Ministry of Unification and the German Research Foundation (DFG). It was executed from 2012 until 2015 under the leadership of the Zentrum für Sozialforschung Halle (Center for Social Research) and the Institute of Korean Studies of the Freie Universität Berlin in close cooperation with colleagues of the former collaborative research center 580 from the University Halle and University Jena, as well as numerous Korean experts, politicians and scientists.

‘lessons’ for the preparation and support of transformative activities in Korea” (Holtmann and Lee 2012, 2). In doing so, the transfer project – and this is an explicitly intended side effect – also makes the Korean domestic discourse about the German reunification accessible for international transformation research. Secondly, the SFB 580 was also able to control its own explanatory models in regard to generalizability and transferability from the European into the East Asian context, a field that had so far been largely neglected by comparative transformation research.

The special (i.e. the particularly strained) relationship between North and South Korea makes a coincidence of national unity and abrupt system change similar to the German case seem unrealistic, or at least imponderable. In the medium-term, small-scale patterns with intermediate problem-solving goals seem to be at best conceivable. These should be sounded out by the way of international rapprochement and collaboration, starting from building regional or local contacts. This way of a “policy of small steps” was pursued by the Brandt/Scheel administration at the end of the 1960s during the so-called *Neue Ostpolitik* (New Eastern Policy).

This was accompanied by hopes for a “change through rapprochement” on the West German side. However, our South Korean cooperating partners are well aware of the fact that the détente policy that was introduced at that time despite the ongoing East-West conflict created the psychological and material preconditions within the intra- German relations for the – albeit ultimately surprising – German reunification. Hence, their primary interest about the “German case” lies in the time period that may be understood as the *prehistory of German unification*, i.e. the time interval between the late 1960s and the end of the 1980s.

The German project partners can contribute insights into the inner societal development of the GDR before 1989. These insights consist partly of research results of the SFB 580 and to a degree emerged within the transfer project environment, the latter thus being the most recent findings. Firstly, the “GDR Representative Surveys”² that had gone largely unnoticed for decades and were recently been rediscovered for research and the public, document the general mood of the East German community at that time. They show clearly that: (1) The desire for reunification remained unbroken in East Germany from the 1960s. (2) Although the majority of the East German populace had come to terms with the prevailing conditions, they (3) saw a better alternative system in the Federal Republic of Germany. On the other hand, the East German people knew how to adapt to the economy of scarcity, which included a “creative barter economy,”

² The former Ministry for All-German Affairs carried out annual interviews between 1968 and 1989 with GDR visitors who returned to the BRD about the attitudes of the East German contact persons (relatives, business partners) they visited. The reports were classified at that time (Holtmann and Köhler 2015).

with personal skill and individual initiative (Holtmann and Köhler 2015). This prevailing general mood explains why expectations of the East German populace were high at the time of German unification. The initial “unification euphoria” however, was quickly followed by a “transformational shock” (ibid.).

Secondly, memories about the times of the old system in the form of *biographical-formative experiences of the older generations* stay alive long after its demise (cf. Silbereisen 2016, in this HSR Forum). Multi-generational-interviews with East German families conducted during the transfer project³ indicate that “system” and “living environment” become delinked in the personal memory. Although the oppressive character of the communist system is unquestioned by the older generation, in hindsight what really counts are positive memories about the private (and partly occupational) everyday life in the GDR. They evidently do not want *these* positive aspects of their personal biography taken away from them. This is supposedly a generalizable coping mechanism for system-change experiences: The memories of the “good aspects” of life under dictatorship that were experienced ‘in the shadow’ of the regime remain. This attitude requires however, that the regime permitted sufficient private freedoms.

Against the backdrop of these considerations, we can draw the following conclusions for the transfer of knowledge about unification that is “stored up” in the German transformation research and the SFB 580 to the Korean peninsula.

First, referring to the dimension of *range and time of change*, it shall be understood that the transfer project was neither focused on the question *whether or not* a reunification of both Koreas would be realistic in principle, nor at *which date* a reunification might happen.

Such long-term prognosis would not be useful, especially considering the fact that developments are usually predicted more pessimistic than they actually turn out to be. Instead, the transfer project hypothetically presumes a path of rapprochement and democratic transformation that has already been taken. Only by leaving open all possible scenarios can the transfer project’s findings unfold their full practical applicability. Studying the experiences of the German unity process can be useful for coping with an abrupt upheaval scenario as well as presenting a directed conversion scenario. At the same time, the manuals that were worked out in the project cooperation contribute to laying the foundation for a future transformation on their own.

Second, a *theory-based approach* to the problem of knowledge transfer in the field of intercultural translation” is required for bridging the gap between two different spheres of historically rooted political and societal cultures. Thus

³ Within the transfer project “Intergenerational understanding after the fall of the Wall” in 2015, 16 East German families were interviewed about how their grandparents and parents are passing on information about the GDR times to their children’s and grandchildren’s generation (a publication of the comprehensive interview transcripts is being prepared).

potential misunderstandings and wrong conclusions can be avoided more effectively. Third, normally there are *legacies* of the old system, living on after system change. Such legacies are deeply rooted and they encapsulate core elements of a national political and social culture, in both parts of Germany, for example, in the customization on welfare state (Gabriel, Holtmann, et al. 2015). After system change, this factor should be regarded thoroughly because it is these legacies which reflect path dependencies in political and social culture successfully overcoming the ruptures of system transition. Afterwards they help to preserve traditional social habits and moral norms as well as identifying ‘hidden’ endogenous talents such as local entrepreneurship (cf. the article of Fritsch and Wyrwich 2016, in this HSR Forum) both of which can help to face the emerging challenges of system change.

Fourth, strategic responses being adequate to arousing challenges of social, political and economic transition cannot disregard the field (importance) of *institutions*. The case of Germany demonstrates that it requires a long-term strategy or at least incremental steps of *controlled institutional change* in order to manage the enormous uncertainties. Fifth, as well as institutions, *actors do matter*. This refers to the key role devoted to political, economic and societal elites in times of system change (cf. the articles of Best and Vogel 2016, and Martens 2016, in this HSR Forum). Therefore, it is necessary to set free *decentralized resources* of political and economic modernization in the form of local autonomy, individual free entrepreneurship, or personal self-efficacy (all combined would be optimal) (cf. the articles of Holtmann and Rademacher 2016; Fritsch and Wyrwich 2016; and Silbereisen 2016, in this HSR Forum). And sixth, being confronted with unexpected risks of lifestyle changes, such as unemployment, career breaks and the devaluation of personal developmental assets, people affected by such misfortune tend to drop from high expectations into deep disappointment. In such cases, the new political order is usually declared responsible for causing these grievances. Therefore, stimulating decentralized resources of self-help is also important for ensuring the popular *legitimacy of the new system* in times of risk ‘between the systems.’

In the following articles in this HSR Forum we shall outline these dimensions of change by describing selected empirical facets of the German unification from a more general perspective. Beforehand, and as part of this introduction, the research area for the purposes of intercultural translation will be modeled theoretically.

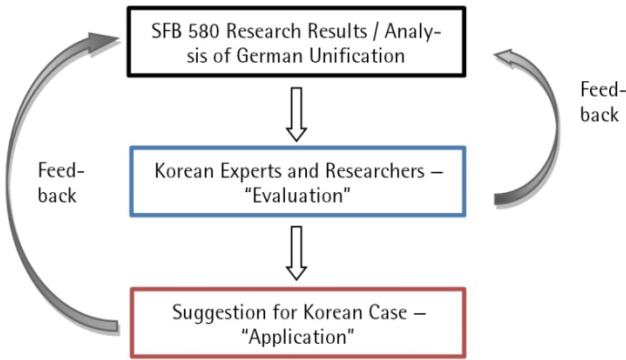
2. The Mechanisms of Transcoding

The real challenges for policy transfer researchers are the complex issues involved in the transformation and integration of different systems. It is obvious

that policies that emerged and were formulated in specific societies at specific moments of time are bound to these conditions and cannot be transferred as such into other societies and their specific circumstances. Therefore, transfer of knowledge can only be successful when the specificities of the respective cultural, social, historical etc. conditions are fully taken into account. This means that transfer of knowledge should be considered as an act of neo-contextualization of knowledge.

For this purpose we have proceeded by taking three steps, as illustrated in figure 1. We call [labeled] this whole process “transcoding,” and it includes two methodological tools of cultural “translation” and “code switching.”

Figure 1: Mechanism of Transcoding



3. Translation and Transcoding as Methodological Tools for Intercultural Policy Transfer

The term “translation,” as it is used in our project, does not relate to the translation of words, but it is rather used in Walter Benjamin’s sense of “cultural translation” (1923). Cultural translation can be defined as an active process of interpreting and transforming other cultures within a specific historical context; it is neither an equivalent exchange of meanings between different cultural texts, nor a mediation of meanings from a transcendental position. Benjamin’s theorization of translation is productive in that it frees translation from having to be a parasite on the original, and instead allows it an autonomous position. This is because what the translator aspires to translate is not the original text but what he calls “pure language” an unrepresentable “idea” that is “potentiality,” inherent in, but not reducible to, the original.

Benjamin’s views were actively adopted in the field of cultural studies from the moment cultural translation started to become a theoretical issue. In the

theory of cultural translation, translation is defined as a particular case of intercultural communication with the purpose of bridging the gap between different cultures. The starting point of cultural translation theory is the hypothesis that cultural differences of tradition, value, thought, etc. make intercultural communication impossible (Bassnett and Relevance 1990).

Hence, the translator Benjamin refers to a very peculiar role within cultural translation. This is because, in cultural translation, the context in which the translation takes place, and the translator, depending on who it is, can either bring about an equal relationship between two cultures, or create a hierarchical relationship between them. In this sense, Lydia Liu emphasizes that

the crucial thing here is not whether translation between cultures is possible (people do it anyway), or whether the 'other' is knowable, or even whether an abstruse 'text' is decipherable, but what practical purpose or needs [...] bring an ethnographer to pursue cultural translation (Liu 1995, 2).

A policy transfer should therefore be understood as an act of "cultural translation." In any policy transfer, the translator must always have a specific goal in mind. Through the act of translating, a new translation is created; this translation must exist within its own context and the original policy must be modified in order to adapt it to the new context and configuration of policies. Of course, just like the term "transfer," the term "translation" also exists as a metaphor, leading to certain problems when describing cultural and social practices. Nevertheless, we can agree with Freeman that the concept of "translation" has the advantage of being able to explain the act of policy translation better than the concept of "transfer" (Freeman 2008).

The term "translation" makes uncertainties of any "sign" as an instrument of communication evident. It is in reference to this that Freeman contends:

We communicate by means of signs (words and pictures, sounds and images), that is, by choosing or making representations of what we mean. But the relationship between the sign and what it signifies is neither determined nor mechanical: what things mean or represent is a matter of convention (a social construct) and it is invariably inexact. Understanding may come to be shared, but it cannot be identical. This fundamental epistemological uncertainty, this requirement that every utterance be accompanied by some hermeneutic move on the part of the reader or listener, is a source of innovation and creativity as well as error and failure. Translation makes this uncertainty explicit (Freeman 2009, 440).

It is in this sense that structural linguists like Saussure understand translation to be "a sign which stands for a sign, a representation of a representation or a representation" (Freeman 2008, 5). In actual fact, the concept of translation not only means "the replacing of terms in one language with those in another," but above all "a substitution of one set of relationships or associations with another." Translation is a performative "articulation," and the concept is used as such by Stuart Hall and Ernesto Laclau. It is "the work of bringing two (or more)

things into relation with one another. For such relationships are not essential or given: they have to be made and maintained, or ‘performed’” (Law 1999). Such relationships can be agonistic and differential but also antagonistic. In this sense the notion of translation is a “dual movement of (re)presentation and (re)association,” which “draws attention to the change, adaptation, mutation and transformation which takes place in all instances of communication or transfer” (Freeman 2008, 12).

Naturally, the decisive role in policy transfer as cultural translation is played by the translator. We have been able to observe several historical cases of intercultural policy transfer. This has been possible because the respective translators had linked the policy decision process that lead to the creation of the original language text with the policy decision process under which the target language text was then created. However, the act of translation for policy transfers and other cultural translations are clearly different, since the act of translation for policy transfers can be understood as a process of *transcoding*, rather than translation.

“Transcoding” is not an established term within cultural studies and the social sciences. However, it is an established concept in the field of communication technics where it refers to the act of converting something to a different format of similar or like quality in order to gain compatibility with another program or application, such as transferring a video from a camcorder to a hard drive.

Using the method of “transcoding” has (several) advantages since the re-contextualization can be made in both social and cultural processes. The term transcoding points to the change of “codes,” i.e. sets of rules of signification which are part of every transposition of knowledge contents from one context to another, thereby calling attention to these contexts.

4. Seven Domains of Transformation as Selected Fields for the Transfer of Knowledge

On the basis of this theoretical framework, knowledge transfer has been focused on selected contents (policies) on the sub-systemic level. The connecting factors are seven “signatures” of the German reunification: elite change (cf. Best and Vogel 2016, in this HSR Forum), private entrepreneurship (cf. Fritsch and Wyrwich 2016), labor market (cf. Ketzmerick 2016), management of factories of small and medium, range (cf. Martens 2016), decentralization (cf. Holtmann and Rademacher 2016), generational experiences engraved in life stories (cf. Hofmann and Martens 2016), and psychosocial coping with system change (cf. Silbereisen 2016). For these domains of transfer we compiled practical manuals in cooperation with our South Korean cooperation partners so as to prepare for incremental processes of systemic change on a small scale. The knowledge transfer followed a multi-stage relay principle. The researchers of

SFB 580 functioned as transferees and passed on their knowledge to the Korean cooperation partners. The cooperation partners then processed this knowledge in the role of translators in such a way that South Korean actors who will be concerned with cross-border or cross-systemic collaboration in the future are able to reduce uncertainties of doing well when dealing with North Korean individuals or problem situations.

The assignment of the German transferees to the different domains of transfer naturally followed the disciplinary issues and the boundaries of the researchers involved and their respective scientific specializations: Labor market research, economics, political sciences, psychology and sociology. The inclusion of the Korean translators and their work followed the same principle. Yet, a fundamental result of the interdisciplinary designed SFB 580 was that the comprehensive and abrupt social change that accompanied the German reunification developed a complex and holistic dynamic that could neither be comprehended by individual disciplines nor handled by means of stand-alone political interventions. Once the “political floodgates” have been breached, there is little benefit in turning the individual “social adjusting screws.” Rather, particularly far-reaching coordinated decisions of general principle have to be made in a very short time although with a long-term vision in mind. This procedure also bears great risks for faulty decisions. However, in our opinion there are hardly any alternatives to this procedure, because the swiftness of transformational processes does not allow ample time for planned, structured reactions or incremental procedures.

With this in mind we also view the future Korean reunification and the transformation of North Korea that is necessary for reunification as holistic processes. This is also the reason why the manuals of individual domains are intertwined, even though they appear as statements that stand on their own. For example, the integration of former North Korean functional elites is viewed as a key precondition for a successful and non-violent “inner unity.” Decentralized structures can be a sociopolitical advantage in unification-transformations because loyalty of these elites is more strongly tied to their local and regional affiliation than to their role in the demised authoritarian regime. Furthermore, international comparison of systems assigns democracy-promoting and efficiency-increasing effects to decentralized structures. The latter aspect is related to the everyday experience that individuals who are familiar with certain societal problems are better at solving them. However, this argument presumes that the democratically elected elites have regional ties in order to fulfill these conditions. In this way elite integration and political and administrative decentralization are mutually interdependent.

This interdependency can easily be expanded onto the other domains as well. A political and economic opening of North Korea will inevitably lead to economic distortions, risks, and dramatic changes in the labor market. To alleviate growing social inequality, an expansion of social transfer systems within

South Korea and the expansion of this system to North Korea during the unification process will be unavoidable. *Prima facie*, the less transfer payments are required the higher the employment rate turns out or respectively the more labor force can be integrated into the labor market. During the economic transformation from a quasi-military organized plan and command economy to an open market economy, two aspects are especially important: enterprise privatization and business creation. However, the population will only be able to find employment in companies that are able to survive during the times of dramatic change, even if North Korea is unified with South Korea. Although the German experience shows that privatization can happen through external acquisitions, companies which are successful in the long run rely on regional business elites, at least in middle management.

Business creation on the other hand, is an almost entirely regional and decentralized process. Moreover, regions with a higher level of business creation in the period of transition can cope better at a later point in time with the consequences of economic transformation. It is proven that a “regional culture of entrepreneurial independence” persisted in Germany. Regions that showed a high level of entrepreneurial independence in the mid-1920s had more business creations after 1989/1990. The proverbial “merchants of Kaesong” might become similar “pioneers” of market economy, so that the “hidden mercantilism” of North Korea’s kitchen gardens and private markets evolves into similar regional entrepreneurial traditions.

However, not only do regional differences determine these political, social and economic processes, but also autobiographical experiences and social ties which differ between generations. The radical social change during the transitional phase devaluates prior experiences and shatters social capital, yet it does not destroy the self-efficacy that is acquired throughout a lifetime. Self-efficacy alleviates the consequences of current hardships in future life. The more self-efficacy is supported – particularly for adolescents through schools and education – the higher the chance for the people to assert themselves later on (resilience), and the lesser the social costs of transformation. From the perspective of developmental psychology, unification planning should consider how useful self-efficacy experiences can be provided for young people. Personal success in education, occupation, and entrepreneurial independence will become invaluable psychological, economic and socio-political resources for a successful reunification.

5. Gaming Simulation as a Kind of Evaluation

In order to evaluate the results of the aforementioned three-step process of problematization, translation and transcoding experiences of the German reuni-

fication in a realistic setting, a simulation game on challenges of a contingent Korean reunification was conducted with South Korean public servants. The simulation game was an additional element of the program of the Academy of Unification of the Institute of Korean Studies at the Freie Universität Berlin in 2015. Although this HSR Forum does not dedicate a chapter to the simulation game we shall outline its “philosophy” in short terms here, so appreciating its utilization value for simulating scenarios of unification.

A strong evaluation of the guidelines, which are based on our findings, could be proven regarding to their usefulness of direct, corresponding or *mutatis mutandis* application in a real unification process. This creates three issues: Firstly, a reunification on the Korean peninsula is not accomplished yet – and some would argue that it can never happen. Secondly, if unification does happen, it is apparent that it will not happen as rapidly as was the case in Germany (Lee 2001, 322). Thirdly, we are not willing or able to make statements on the Korean reunification with the aim of evaluating our own results and findings. Therefore, we are compelled to simulate a kind of incremental unification process.

Furthermore, political changes are fundamentally driven by political considerations and decisions. Following along the lines of the “Actor-centered Institutionalism” by Scharpf (1997), our evaluation also had to take the political elites into consideration as well as they would probably bear the responsibility for a future Korean reunification. This leads to two other problems: On the one hand, our capabilities to acquire high-ranking political deciders that have been in office recently for being a part of a gaming simulation are very limited in both Koreas. On the other hand, no one knows at this time who will possibly be in charge of implementing the contingent reunification process there. Therefore we decided to ask participants of the last Academy program to evaluate our guidelines. Public servants of several boards of the South Korean public service were selected and sent by the Ministry of Unification (*Tong-il-bu*) in order to be taught about the German unification process at the Academy of Unification in Berlin. This probably makes them the most likely future experts on reunification issues in South Korea. Nevertheless, in our simulation they would simply play the roles of such experts.

We decided to conduct a simulation game, because “prototype gaming simulation combines role-play and simulation” by representing “dynamic models of [possible] real situations” (Kriz 2003, 496). Gaming simulation usually consists of three phases: (1) the briefing, (2) the game, and (3) the debriefing (*ibid.*, 497).

- 1) During the “briefing,” a goal was first defined: The president of the Republic of South Korea orders an expert’s concept for the administrative structure of a unified Korea. Furthermore, our guideline materials, which are summarized in the following chapters, were briefly presented. The roles of the Academy participants were determined according to their recent positions and the different policies; they were responsible for economy, jurisdiction,

national or public security, etc. In this way, we were able to perform a five-day simulation game in an “open (free form)” mode, rather than a “closed (rigid rule)” mode (ibid.).

- 2) The game participants were separated into two different workgroups. During the simulation their work was interrupted by several critical interventions, which took the form of real newspaper articles about the German reunification and “faked” but nevertheless lifelike articles about the impacts of a Korean unification. The aim of those interventions was to implement a more realistic experience of uncertainty into the simulation, since such interventions would be most likely to occur during political transition processes as well.
- 3) Additionally, we employed two different modes of debriefing: Firstly, daily reflections of the participant’s experiences, thus allowing them “to apply the knowledge acquired during the simulation to the real world” (ibid.). Secondly, on the last day a “meta-debriefing” (a debriefing of the debriefing) was conducted in order to reflect on the facilitation and debriefing of the game, the design process and the model of the game” (ibid.).

Although a detailed analysis of the gaming simulation is still outstanding, three kinds of initial impressions have emerged throughout: Firstly, the rather inexperienced Academy of Unification’s participants were able to develop a ten-point plan for the complex transformation process of a Korean reunification. This plan however, coincided significantly with the ten-point program that Federal Chancellor Helmut Kohl presented in the German Bundestag on 21st November 1989 in order to overcome the separation of Germany and Europe. Secondly, the impression is emerging that South Korean public servants that did not take part in a comparable educational program are able to successfully handle the guidelines that emerged on the basis of the research that is presented in the following chapters. Finally, the gaming simulation proves that intercultural knowledge transfer on a future Korean reunification cannot be carried out by taking over the German experiences; rather it is necessary to employ smart-copying strategies.

Since such smart-copying strategies have been discussed in the context of the technical advances of South Korea or Japan for a long time (e.g. Amsden 1989, 20; Cox 2008), this is a significant conventional result for further enhancing the Academy of Unification’s educational program. In addition, smart-copying may also be useful for coping with the complex processes that will accompany a national reunification on the Korean peninsula.

6. Final Remark

Summarizing our won knowledge about the transfer of knowledge concerning the topic of unification we can make a final remark. Though German experi-

ences with unification since 1990 cannot be transferred to contemporary Korea simply like a blueprint, one can get some helpful “lessons” of the case of Germany: In general, the biographical-formative experiences of the older generation do not break abruptly at the momentum of unification and system change; they are continuing on both sides of the fallen border, and they serve as a personal guide to coping with the challenges of new times. In times of transition, different and conflictive expectations are emerging: There are fears (*and* demands) of loss and punishment as well as hopes of more welfare and freedom (*and* growing resistance against reallocation of public goods), a moral desire for justice arouses as well as an opportunistic pragmatism of ‘muddling through.’ All these expectations and mental reservations are belonging to the “legacies” of the two halves of a formerly divided country. A conciliative policy of unification should bear these legacies in mind for to promote a controlled institutional change towards market economy and democracy, in a way that helps elites and the man in the street to respond to tremendous risks and uncertainties.

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Some Results of the Economic Transformation in East Germany and their Possible Relevance for Korea

Bernd Martens*

Abstract: »Einige Ergebnisse der ökonomischen Transformation in Ostdeutschland und ihre mögliche Relevanz für Entwicklungen in Korea«. The outcomes of the transformation of the GDR economy is described in regard to four topics: reproduction of managerial elites, due to functional necessities; short windows of opportunity of reaching a leading position at the top level of companies in the new economic order; fast role taking of the new managerial elites who often had a professional background as cadres in the socialist economy; and an accelerated change of social structure. The results refer to different surveys among entrepreneurs and executive of industrial firms in East and West Germany. The data were collected by the research project A2 "Economic elites in enlarged Europe" of the Collaborative Research Centre 580 at the universities of Halle and Jena, and they can additionally be compared with similar surveys among Polish and Hungarian respondents. The results are assessed in reference to three transformation paths which distinguished countries that have undergone after the collapse of the global socialist economic system. Eventually the relevance of the outcomes is considered for the North Korean case.

Keywords: Transformation, economic elites, business leaders, circulation of elites.

1. Introduction¹

In 1991 the Council of Mutual Economic Assistance (CMEA or Comecon) was dissolved. This decision marked the visible collapse of the experiment that attempted at establishing a global socialist economic system (Stone 1996). During the following years, the former member states of the Comecon underwent quite different fates, for example: the Soviet Union and Poland (founding members in 1949), Vietnam (Comecon member since 1978), or North Korea (no membership, but observer status). Nevertheless, the economic transformations of former Comecon countries can roughly be classified into three different paths that are used in the following as an interpretative scheme. The

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overall question is whether the German unification process and the economic transformations of selected East European countries provide some “lessons” for conceivable changes on the Korean peninsula, despite large differences between the countries (Frank 2014, 347 et seq.).

Therefore the transformation of the former GDR economy is outlined in this paper and its relevance to hypothetical future changes in Korea is discussed. The chosen approach is twofold: information on the economic development as well as data about East German business leaders are used. The second type of information refers to different surveys which were conducted by the research project A2 “Economic elites in enlarged Europe” of the Collaborative Research Centre 580 at the universities of Halle and Jena.

The outcomes of German economic transformation and additional information about other East European transformation countries are summarized with regard to five topics:

- the development of economies in different (former) socialist countries are summarized in three transformation paths;
- the reproduction rates of economic elites were relatively high and showed similar patterns in all former East European socialist countries;
- the windows of opportunity to reach the first hierarchical level in East German firms were rather short at the beginning of transformation;
- the comparisons of population and economic elites indicate a successful “role taking” of the latter; and
- the economic transformation processes were always connected with social “side effects” like growing inequality and social closure (Ther 2014 offers a synopsis of the various East European developments).

As a concluding remark, the East German situation after the economic transformation delivers a background for hypotheses concerning the Korean situation.

2. Data

During the research of the Collaborative Research Centre 580 computer assisted telephone interviews were carried out with executives and entrepreneurs in companies in selected East and West German regions, for the first time in 2002. The sample included independent enterprises of the German manufacturing industry with 50 to 1,000 employees. These relatively small firm sizes reflected the recent industrial structure in East Germany with a lack of large corporations. The standardized questionnaire comprised questions regarding the characteristics of the companies and the persons responsible on the first organizational level (entrepreneurs, managing directors, executives, or CEOs). Personal data of the business leaders (social and educational background, careers, perceptions of their role in society, assessments of industrial relations

and opinions about relationship between state and business) were collected and can be correlated with organizational or other independent variables. The first survey in 2002 was replicated twice in 2005 and in 2010 following a panel design. The last German survey was complemented by identical data collections of our Polish and Hungarian research partners (Bluhm et al. 2014). Consequently, some of the results on East German business leaders can also comparatively be discussed.

3. Outcomes of Economic Transformation

3.1 Transformation Paths

German reunification is embedded in the political upheavals in Eastern Europe. It is, therefore a special case of political, social, and economic change. In the literature the following aspects are taken into consideration to describe the economic transformation in Eastern European countries in the 1990s:

- the position of the communist party (still in power or replaced by new political agents);
- the time span in which political changes took place;
- the type of exchange of economic and political elites;
- the conditions and, in particular, the restrictions under which the privatization of former public property had been carried out.

The economic transformations of the former socialist countries in Eastern Europe occurred in diverse patterns. However, for analytical purposes they are classified into two groups of countries.

Countries which are characterized by an abrupt political change and relatively unregulated conditions of the privatization processes are Russia, Ukraine, Romania, Bulgaria, and Albania. The socio-political consequence in these cases was that “insiders,” who were mainly former cadres, could get control over large economic units and were able to acquire additional properties. Oligarchic structures emerged and have gained a substantial impact on the economy in these countries. These countries followed transformation path *A*.

Separated from this path of economic transformation, the Czech Republic, the Baltic States, Hungary, Poland, and East Germany can be denoted as a second group of countries (transformation path *B*), where the political change was also carried out quickly, but at the same time more or less transparent rules governed the conditions of transfer of state’s property. Partially, these regulations led to a systematic discrimination of “insiders.” This held especially true in the case of East Germany.

The German reunification was an extreme case of transformation. The monetary union with the Federal Republic of Germany comprised a “shock thera-

py” for the GDR economy which suddenly became a part of global competition. With the accession of the German Democratic Republic to the scope of application of the federal constitution, West German institutions were also introduced at one stroke. At the national level, an elite exchange occurred and a conversion of former political power into economic power was not possible, since the question of ownership of public property had already been solved by the establishment of the privatization agency *Treuhandanstalt* in 1990. It quickly brought about a high turnover of elites in the economy, because it managed the takeover of firms by strategic (Western) investors and systematically obstructed or outright prevented buyouts by East German management in favour of West German buyers. Informal relationships or family ties did not matter in the privatization, so a strategy “from plan to clan,” which could be observed in other transition countries, was ruled out (Gergs and Pohlmann 1999, 247; see also Fritsch and Wyrwich 2016, in this HSR Forum).

In the group of countries that followed transformation B, different forms of privatization were used: direct sales to mainly West German or foreign investors (in East Germany, Estonia, and Hungary); a mass privatization and strategic sales in the Czech Republic as well as an insider privatization combined with a subsequent mass privatization; and direct sales to investors in Poland (Bluhm et al. 2014; Ther 2014).

Despite of this varying diversity over time and different ownership structures (for example, in Poland companies in state ownership play until today an important role), it can be stated, as a general result, that the economic transformation in these countries led to dependent market economies which suggests that the influence of foreign capital is large. In some cases even regional developments in dependent market economies depend on foreign companies due to their dominant position in the respective national economies (Bluhm et al. 2014).

East Germany may be included in this group of countries, because, in this case, mainly West German investors bought companies. After reunification, these investors were formally no longer foreigners, but their functions were, nevertheless, similar to foreign investors in other former socialist countries of the second group of transition countries. Actually, the *Treuhand* policy, which fostered very fast and direct sales of assets to strategic (Western) investors, led to an even more extreme version of “dependent capitalism” than in the other post-socialist countries of East Central Europe. The important difference was, however, that the top positions of the larger privatized companies could much more easily be staffed especially with Western, that is, West German, personnel (Bluhm 2010). Most of the large companies were subsidiaries of western or West German companies. Just one headquarter of a large manufacturing company is located in the formerly highly industrialized East Germany, that is, in Jena, and only because there was a particular political support for this company.

In a rapid political change, a controlled privatization seems to promote the influence of foreign capital, that is, in fact relatively independent of the selected type of privatization. By those regulations oligarchic structures as well as insider solutions can partially be prevented, but at the same time it supports the creation of “extended workbenches” under foreign control. In addition, it can foster sentiments of colonization among the domestic population. In regard to the elite constellation, the remaining essentially regional economic elites in the emerging dependent market economies were not able to maintain a decisive influence on the economy. It remains an open question to what extent this held true before the political upheaval, because in the socialist planned economies the claim of a primacy of politics always existed.

Countries like China or Vietnam pursue a third transformation path called *C*. It differs from the previously mentioned paths A and B in the decisive feature that the traditionally ruling party still remains in power, although economic reforms took place in the past. The political class in these countries strives for the complete control of the transformation process that encompasses, for example, the opening of certain markets, foreign investments, the allowance of entrepreneurial activities of the domestic population, or joint ventures. The still ruling political elites try to decouple political and economic reform processes, or in other words: The primacy of politics shall remain untouched. Economic reforms shall only occur in accord with political decisions and they shall never undermine the power of the ruling class.

Experts on North Korea agree that since the end of the 1990s economic reforms were conducted in the country.

In terms of economic life, there were some indications of change – and even the use of the taboo word ‘reform’ – in both the rhetoric and the observable reality of DPRK (Democratic People’s Republic of Korea) life. Since the economic crisis began to emerge in the early 1990s, long before the famine (1995-97), there had been signs of liberalization and the growth of local markets in the North Korean economy (Armstrong 2014, 58 et seq.).

In 2002 “the most far-reaching economic changes” were established “since the regime was founded in 1948” (Armstrong 2014, 59).

The actions by the state concerned rising wages, the food supply system, taxes, and a very strong currency devaluation. The domestic currency was reduced in relation to the dollar by 6,800 % (Frank 2014, 200). Some of the reforms failed and since 2005 an opposing trends of a “neo-conservative socialism” could be detected (Frank 2015, 568). But Frank (2014, 204) describes for example that planning, as an essential part of socialist economy, vanished in the North Korean public. Perhaps there are still economic plans, but they are not a particular subject of public perception, any longer.

The 2002 reforms showed the limits of political interventions in North Korean economy; they produced, for instance, an immense inflation. In essence, they did not have the effects that were originally intended, but they had im-

portant impacts or “side effects” on the society. Money obtained a growing influence on all aspects of life. Thereby it changed social relationships and established new societal inequalities (Frank 2015, 567). “North Korea is today no longer the same country as before the July reforms [in 2002]” (Frank 2014, 232). It is supposed that these changes can best be described in terms of transformation path C that presumably also meets the intentions of the ruling class in North Korea.

3.2 Elite Reproduction

The transformation in East Germany represents the extreme case of elite turnover, since in fact a professional “counter-elite” was available in all sectors due to the German reunification. Simultaneously, the far-reaching institutional transfer which was involved in the reunification entailed transfer of top personnel from West to East especially in administration. In the middle of the 1990s, the East German elites were underrepresented at a national level in comparison to the overall population: Of the 2,341 elite positions in politics, economics, science and culture, only 11.6 % (272) were occupied by East Germans (cf. Bürklin and Rebenstorf 1997). The proportion of the East German population is about one-fifth. Among the 180 largest companies listed in the DAX, just two chairpersons were born or socialized in the German Democratic Republic (Mau 2012).

The *Treuhand* policy and the massive deindustrialization following the currency union in July 1990 led to a quick and dramatic structural change not only in branches but also in company size. The *Treuhandanstalt* already broke larger state-owned enterprises into smaller pieces in order to make the process of selling them easier; in addition, departments and smaller production sites looked for Western investors, contributing to the dissolution of bigger units. For the transformation of the economic elite, the downsizing of the East German industry supported their “regionalization.”

The first *Treuhand* director Detlev Karsten Rohwedder was in favour of a “head theory” which suggested the creation of an elite circulation. Thus, initially the (West German) directors of the privatized companies had to be appointed. Then – this was the conjecture – they would bring their “heads of the department” and their managers from the West with them (Pohlmann and Gergs 1996, 77). This hypothesis did not come true. The East German labor market was rather uninteresting for West German executives that in the mid-1990s. The elite import in the field of economy was estimated to 11-14 % of all managers (Pohlmann and Gergs 1996, 79). Later investigations of the Collaborative Research Center 580 showed that the proportion of business leaders with a West German origin was continuously at one-third in East German industrial firms during the period 2002-10. But also in these cases the remaining levels of hierarchy were clearly dominated by East German managers (Martens and

Lungwitz 2012). Therefore, the import of managerial staff from West Germany was more limited than originally expected. This rather supports the notions of an elite reproduction than an elite circulation.

Nevertheless, studies about the fate of former economic elites, who had worked at the top levels of state conglomerates (*Kombinate*) in the GDR, found that approximately 25 % of the former economic cadres retired during the first years of transformation. After ten years, however, 80 % of the still working persons were successfully busy in different economic fields. One fifth of them was entrepreneurs at that time and had founded a company. The largest proportion of this group of former economic cadres (80 %) continued their careers in managerial positions. At least 40 % even found jobs at the very top level of company management during the 1990s (Schreiber et al. 2002, 141). In comparison to the general employment rates in different economic sectors, the personnel in the higher organizational strata had generally a better chance of keeping and finding adequate jobs after the historic upheaval than workers at lower organizational levels (Lutz and Grünert 1996, 85).

In spite of a high elite turnover in the East German economy and the widespread decline of its indigenous elite to the level of a “regional elite,” due to the reduction in size of the companies and the takeover of the remaining large state enterprises by multinational companies, the thesis of “vertical reproduction” is applicable here (cf. Pohlmann and Gergs 1999). This notion means that the economic transformation frequently offered the second hierarchy of economic cadres the possibility to continue their careers. Hatschikjan (1998, 258) describes the transformation process and the recruiting of new business elites during the early 1990s as “revolution of the deputy department chiefs” that was observable to some extent in all former socialist countries.

The thesis of “vertical reproduction” of the economic elite is even more appropriate to the East German case if one takes into account the founding of new companies during the economic transformation, which were often based on the ruins of the former state enterprises, although the *Treuhandanstalt* did not support management buyouts by preferential prices that were set for West German investors. Initial disadvantages faced by the former GDR management are still detectable more than two decades after unification. Larger companies in East Germany are more likely to have West German or foreign capital holders and West German executives. If East Germans do own shares, their holdings are likely smaller.

Nonetheless, there has been a remarkable continuity in career paths overarching the system collapse in some respect. Many “deputies” moved to the top level of firms. In 1989, those who made this move were approximately 40 years old, principally engineers or technicians with a university degree and nearly all of them had already had leading positions in the GDR economy (Table 1). Around half of them made this step as shareholders, either as spin-offs of former companies or founding their own new companies (cf. Martens

2008). Only a few ever worked outside the economic sector – in this respect they resembled their West German counterparts.

Table 1: Percentage of Business Leaders who had a Leading Position in Management before 1989, Differentiated to Regional Background

Year of the survey	Percentage of business leaders who had leading position in management before 1989	
	East Germans	West Germans
2002	79.1 %	72.0 %
2005	74.8 %	55.7 %
2010	67.1 %	54.8 %

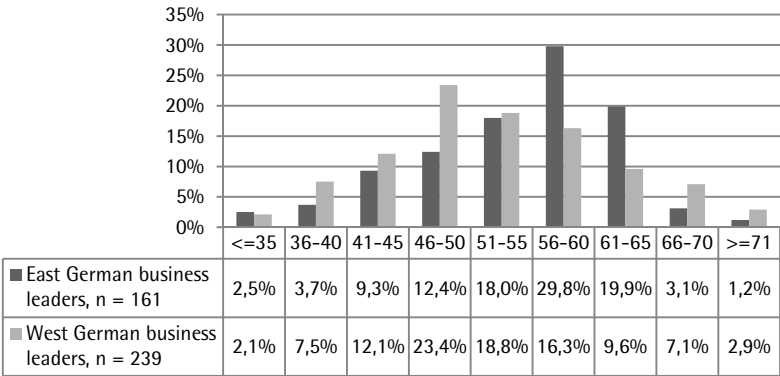
Source: Management panel surveys, project SFB 580/A2.

3.3 Short Window of Opportunity with a Long Shadow

However, the chance of former economic cadres of getting first rank positions was limited with regard to the course of time. The window of opportunity was open during the first years after 1990, and then it closed.

Kotthoff and Matthäi (1999, 100), in their study of economic transformation in East Germany, point to special types of entrepreneurs who had a professional background in the GDR. They found among others “senior entrepreneurs” who took their opportunities to control a company at an unusually advanced age, as well as “entrepreneurs against their own will” who were forced by circumstances to follow a new profession, principally in order to avoid unemployment (Matthäi 1996, 153-71).

Figure 1: Distribution of Age, According to Regional Background



Source: 3rd wave of the management panel survey in 2010, project SFB 580/A2.

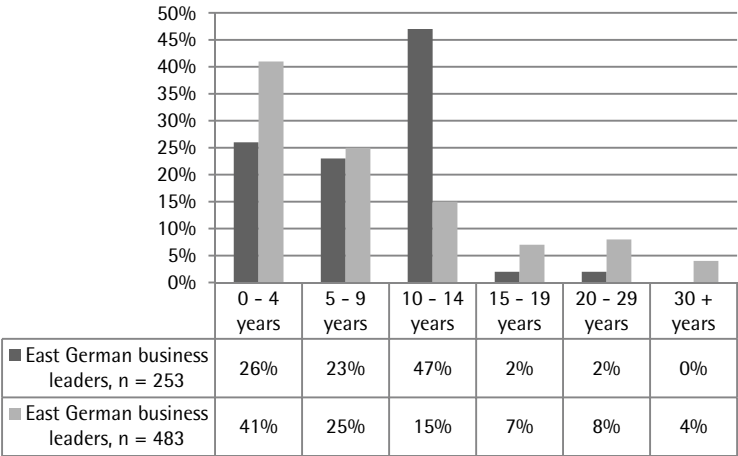
Both types of these entrepreneurs appeared in the empirical material and interviews of the management study conducted by the Collaborative Research Centre 580, but with a preponderance of the former type. A group of East German

entrepreneurs and executives which was still dominant 20 years after unification had a professional background in the socialist economy of the GDR (Table 1). The percentage of East German persons who had already reached leading positions before 1989 and was still in such positions in 2010 is 67 %. The corresponding figure for the West German sample is 55 %. In comparison to the data of the 2005 survey the differences are only minor.

The age distributions of our respondents also illustrate the high proportion of “senior entrepreneurs” in East German management. At first glance, the difference between the mean ages of respondents seems to be rather small: 54.6 years (East) and 52.5 years (West) and became smaller during the three panel waves (Martens 2008). But the difference is still statistically significant (t-test, $p < 0.018$), and, furthermore, the whole distributions are quite different (Kolmogorov-Smirnov test, $p < 0.001$, Figure 1).

Older age groups occurred more often in East German top management. The ages of the largest cohort in the 2010 survey was between 35 and 40 years at the beginning of the 1990s. In contrast to the age structure of the East German sub-sample, the age distribution of the West German respondents is more “balanced.” Persons who are younger than 45 years appear with larger frequencies. Due to the special age structure of managerial elites, a generational change in East German top-level management was originally expected during the first decade of the 21st century; however the older cohorts of former economic cadres have shown a large degree of resilience.

Figure 2: Length of Time Spent at the Position Held at the Time of the Survey



Source: 1st wave of the management panel survey in 2002, event history data, project SFB 580/A2.

A second impression on career patterns is provided by a comparison of the duration of staying at the position that the respondents occupied in the year of the first panel survey (the following analyses refer to the event history data on careers that were only collected in 2002). The distributions of the East and West German respondents differ widely (Figure 2): A majority of East German executives and entrepreneurs apparently used rather short windows of opportunities to obtain their positions at that time. These windows of opportunities only existed at the beginning of the 1990s and since then, these persons have remained rather immobile in their positions. The length of time spent at the position also correlates positively with ownership of company shares.

A multivariate method (optimal matching of sequence data² describing careers of East German respondents during the time frame 1981-2001) revealed that some of the economic elite's current characteristics – such as age structure, job mobility, company ownership, and qualifications – were still influenced by the windows of opportunities that existed in the early 1990s. It was possible to summarize the careers of East German entrepreneurs and executives into three patterns of sequences of occupational states (jobs):

- 1) The dominant career pattern could be circumscribed by the term “continuously.” Persons belonging to this type were essentially senior entrepreneurs and did not change company, but only their position. Executives and entrepreneurs of this career type had always been – before and after the unification – in the same economic organization. This held true for 53.6 % of the East German sample and it described the main structure of opportunities which were relevant for East German business elites in the beginning of the 1990s: seeking their chances in the firm they already knew.
- 2) A second group of persons, encompassing 27.0 % of the East German sample, reached the top-level of companies only by changing the firm or by founding a new one, also at the beginning of the 1990s. This group exhibited a different type of mobility and flexibility and it can be denoted as the founders.
- 3) The last cluster includes respondents who were younger and who did not possess company shares. Their careers often showed them rising to top-level positions at the end of the 1990s. They seemed to represent a new generation of managers (Martens 2005, 225).

Further analysis reveals that the career type essentially depended on the ownership of companies. This held true especially for the first and second career pattern. The use of the windows of opportunities frequently implied the neces-

² The careers are regarded as sequences of states during a given time frame. All sequences are compared according to a special distance measure and classified by cluster analysis (Abbott and Tsay 2000). In our case, states are hierarchical positions and whether a person changes firm to get a new job. Optimal matching of career sequences leads to seven clusters for the East German respondents (Martens 2005, 218-25).

sity of buying company shares. Consequently, the percentage of owners among in East German business leaders were higher than among their West German counterpart, however, more often, they possessed only minority shares.

Whereas in East Germany the generational change in domestic top management was rather small since the beginning of the transformation process, it was larger in Poland and Hungary. There we observe a significant impact of foreign capital on the speed of generational change. Age effects are especially promoted by subsidiaries in all countries. Therefore such companies that are totally owned by foreigners can be seen as a driving force of generational transition during the transformation. The same holds true for Poland and Hungary regarding companies that are owned by other companies and – in the Polish case – by companies which are run by employed managers. In other words, companies belonging to a larger conglomerate have younger employed top managers, especially in the case of foreign ownership. While in Poland and Hungary, according to the 2010 surveys, around one-third of the older “deputy generation” who began its career under socialism held top management positions in foreign owned companies (29.5 % and 31.3 %, respectively), this held true for 46.4 % of the younger generation of business leaders in Poland and even 66.7 % in Hungary. (The demarcation line between the younger and the older group was an age of 45 years.) The contrast was much weaker in Germany, because the percentage of East German business leaders in foreign-owned companies was particularly low in both the younger and the older cohort.

For East German business leaders, the road to top positions in management, as mentioned above, was linked to ownership, as it was also the case for the younger generation. East German business leaders show the highest proportions of manager-entrepreneurs among the younger generation, but this evidently constrains the possibilities of the younger generation, due to the need for equity, in comparison to Poland and Hungary, where the percentages of employed executives are higher. The situation of the East German business leaders is characterized as “lagged generational change” as a feature of East German management for a long time (Martens 2008). A short window of opportunity developed an unexpected long shadow.

3.4 Successful Role Taking of the Business Leaders and its Implications for Society

Also, although the former economic cadres had firstly lacked managerial or entrepreneurial skills, many of them learned rather quickly. To label it in sociological terms: The new business leaders were quite successful in *role taking*, since most of their firms, which were accompanied during the time span of our research, were economically successful. This role taking of East German business leaders can additionally be illustrated by analyzing attitudes. Our survey in 2010 still reveals some differences between opinions of East and West German

business leaders, but the variations between them and the population are more significant in West as well as in East Germany.

The greatest contrasts between the interviewed business leaders and the population, in both East and West, exhibit the assessment regarding state’s regulation on economy. In a representative survey of the German population conducted by the Collaborative Research Centre 580 in 2010, about half of the population in East Germany advocated an economically and socially active role of the state including even policies to redistribute wealth (Alesina and Fuchs-Schuendeln 2007 published similar results). The population in West Germany was more cautious on these issues with an agreement rate of about one third. But, even here, a large difference existed in the views of business leaders who were predominantly against any state intervention (Table 2). This advocacy of the population for an economically active state, albeit with the aforementioned East-West differentiation, corresponds to the social “main conflict line” between social justice and market freedom that is usually displayed in general population surveys in Germany. The desire for social justice and protection, both of which have to be ensured by the state, is widespread in German society (Neugebauer 2007, 58 et seq.).

Table 2: Approval to Items in the German Population and among Business Leaders of Industrial Companies

Items	West		East	
	Business leaders	Population	Business leaders	Population
The socio-political responsibilities of the state can only be achieved through the redistribution of wealth	6.1%	36.4%	18.7%	54.6%
Trade unions are superfluous	24.2%	11.2%	41.9%	16.0%
Free entrepreneurship and social justice are mutually exclusive	3.5%	21.3%	10.3%	27.4%
The state should monitor and regulate the economy	6.5%	31.2%	7.1%	50.2%

Note: The items are selected according to their differentiating power between the two social groups and regions.
Source: SFB 580 general population survey 2010 and 3rd wave of the management panel survey, project SFB 580/A2 in 2010.

The commitment to market freedom, understood as the reluctance of the state in economic fields, is in contrast a “unifying bond” between East and West German business leaders. One can interpret this as an expression of common interests on the basis of socio-structural positions and functions. However, this does not rule out that East German entrepreneurs and managers have developed, in their own ways and on the basis of specific experiences, similar views as the West German group of business leaders.

Nevertheless, there are still significant differences between entrepreneurs and managers from East and West Germany. Especially the rejection of trade

unions by East German business leaders, which is almost twice as much as in the West German sample, is striking. Ownership of company shares is accompanied by a particularly strong rejection of trade unions by East German respondents. Although the aversion to trade unions in the West German sample depends on property of company shares, which matches traditional opinion patterns in industrial SMEs (Berghoff 2006), among the East German owners the rejection rate is 60 %, which is twice as much among the West German group and the difference compared to the employed executives is, rather pronounced, 25 %. The combination of regional origin and ownership possesses the largest explanatory power for the rejection of trade unions, compared to other features (such as the size of the company, the equity ratio as indicator of the economic situation of the company and the annual income of the business leader).

In relation to the population figures two issues are significant (Table 2): There are dominant similarities in the response behavior of the East and West German business leaders and simultaneously the East-West contrasts appear in the responses of the executives that are similarly visible in the responses of the population. So the company directors are mostly against redistribution, but the rejection of the East German leaders turns out to be weaker than that of West Germans (81 % compared to 94 %). Therefore they comply with the tendency of the East-West difference in the population (45 % disapproval in the East and 64 % in the West). Comparable response patterns are detectable in regard to the question, whether free entrepreneurship and social justice are mutually exclusive. Even in the case of the above-mentioned aversion of East German business leaders to trade unions, there is a trend towards a correspondence with the attitudes of the population: In spite of a strong endorsement of redistribution and government control, the skepticism of the East German population to the trade unions is somewhat stronger than in the West German population. However, this East-West difference is not as strong as in the case of business leaders.

When comparing population and regional economic elites, differences in attitudes can better be explained by social inequality, different social positions, or contrary interests than they can be attributed to the East-West discrepancy. Consequently, the opinion patterns of the population and of the economic elites are relatively far apart both in the new as well as in the old federal states of Germany. However, the long-term environmental conditioning does not vanish more than two decades after structural change. The East-West differences within the population as among the business leaders illustrate this statement. Beyond the societal main conflict line, East-West differences are still relevant within the sample of business leaders, however, their explanatory power is limited.

Although specific attitudes can certainly be influenced by both socializing influences as well as by interests, the following conclusions can be drawn by comparing the differences in attitudes between the East and West German population and the attitudes of business leaders from East and West Germany:

Insofar as the East-West differences in attitudes are observed among business leaders and the general population in the same way, it can be assumed that this is caused by the long-term effects of historical development and of personal socialization.

Differences in attitudes between the population and the business leaders, which occur in the same way in both regions of Germany, can be interpreted as an expression of conflicting interests that correlate with social positions and functions. These social variables have a larger impact than the regional ones. Similar gaps between population and elites are analyzed with regard to the political system (Best and Vogel 2012).

3.5 Social "Side Effects" of Economic Transformation

Table 3: Social Background of the Business Leaders, their Fathers' Education and Job Positions

Goldthorpe categories	Categories used in survey	Poland	Hungary	East Germany	West Germany
Class I	Higher grade officials; top managers in large firms; large proprietors; higher grade professionals	38.0%	24.8%	30.7%	34.0%
Class II	Lower grade officials; top and lower managers in small firms; lower managers in large firms; lower grade professionals	26.8%	29.3%	22.1%	30.5%
Class I and II		64.8%	54.1%	52.8%	64.5%
Class III	Routine non-manual employees (sales, administration, commerce, services)				
Class IV	Small proprietors with and without employees; farmers and smallholders; other self-employed workers in primary production	12.0%	6.8%	15.7%	16.8%
Class V	Lower-grade technicians; lower-grade supervisors; office workers	4.9%	7.5%	10.0%	6.0%
Class VI	Skilled worker	15.5%	25.6%	20.7%	11.9%
Class VII	Unskilled, semi-skilled worker	2.8%	6.0%	0.7%	0.7%
	Number of cases	142	133	140	285
Highest educational degree	Tertiary	34.5%	35.3%	26.8%	20.0%
Highest educational degree	Primary/ secondary school	28.9 / 34.5 = 0.84	16.5 / 45.9 = 0.36	48.0 / 6.7 = 7.16	53.4 / 11.8 = 4.53*
Education	PhD	2.1%	2.3%	2.9%	3.0%

*Secondary education does not imply vocational training in this case, but only education at school; Note: Percentages Related to the Total Number of Cases in the National or Regional Sample; Source: SFB 580/A2 German, polish, and Hungarian surveys in 2010.

The management studies of the Collaborative Research Centre 580 also include analyses of the social origin of business leaders in the three transformation countries Poland, Hungary, and East Germany (Bluhm and Martens 2014). Additionally West Germany can be used for the purposes of comparison. A majority of the fathers had positions as higher-grade officials and higher-grade professionals (Table 3). More than 50 % has a social origin in the service classes comprising the higher strata of society (classes I and II of Goldthorpe's scheme, Bluhm and Martens 2014, 117). In comparison, for example, with the German society as a whole, the proportion of the service classes I and II are two to three times larger in the sample of German business leaders. This holds especially true for the highest social stratum, which characterizes 9.9 % of the fathers' social origin of the general German population,³ but about one third of our sample of German business leaders (see Table 3).

4. Conclusions

The economic transformation in East Germany (to a different extent also in other former socialist countries) allows to draw five “lessons,” concerning transformation paths, elite reproduction, windows of opportunity, differences between new functional elites and the population, and “side effects” on social structure. Do these outcomes of economic transformation provide any information about hypothetical developments in North Korea or about reunification?

Lee (2007, 24) argues about different supposed models of a unifying process in Korea and cites a widely discussed South Korean study on possible future developments. The four scenarios she mentioned are not restricted to transformation path B like the German type of unification. Also transformation path C could provide a – perhaps fairly improbable – “road” towards unification, because in one scenario, “unification by agreement,” North Korea is explicitly pursuing the Chinese way of development. The other three scenarios are “unification by incentives,” “by breakdown of North Korea,” and “by military conflict.” The authors of the study assess that the probabilities of the scenarios 2 and 3 are higher than that of agreement and conflict, nevertheless unifying processes which do not resemble the German reunification are thinkable.

Furthermore, the four described outcomes of the German (or East European) economic changes – reproduction of managerial elites, short windows of opportunity, quick adaptation to new conditions, and accelerated change of social structure – seem to be rather independent of the particular transformation path.

³ The result refers to the German Population Survey for the Social Sciences, Allbus (2008), variable v347.

The *reproduction* of the former economic cadres roots presumably in general functional requirements of management which cannot be fulfilled otherwise. Early German expectations of an extended elite import and of a manager capitalism in East Germany (the so called “head theory”) and their at least partial failure illustrate this supposition. It appears that the economic transformation is always necessarily dependent on a certain degree of reproduction of domestic managerial elites at least on a regional level, and empirical data of several transformation countries confirm this conjuncture (Bluhm et al. 2014).

The *short window of opportunity* of becoming a business leader at the beginning of the transformation process is a German peculiarity, however it is a general lesson that limited opportunity structures, with restrained chances of “late comers,” tend to throw expanded shadows in the future (see also the contribution of Ketzerick 2016, in this HSR Forum). Perhaps those biased opportunity structures are not avoidable, nevertheless problems connected with them exist independently of the transformation path.

The *successful role taking* of the East German business leaders provides an idea that entrepreneurial skills can be activated rather fast under certain circumstances and conditions, perhaps faster than some observers in West Germany had originally anticipated. But implications of such successful role taking also illustrate growing gaps between functional elites and the population in different social systems (see also the contribution of Best and Vogel 2016, in this HSR Forum). Such differences between social classes could also come into existence by following transformation path C, where the ruling party still requires the primacy of politics, like Frank’s example about the growing impact of money on social relationships in North Korea shows (2015, 566 et seq.).

Also further *stratification of society*, increasing social inequality, and social closure do not seem to be an exclusive effect of transformation path A (countries with unregulated economic transformations) or B (regulated transformation). Although information on social structures of North Korea is rather limited, it can be supposed that the society is recently marked by growing regional and social inequalities (Frank 2014, 299). According to these studies, the North Korean transformation path C presumably implies the development of a new middle class and societal changes.

The German reunification was essentially a political endeavor. The sudden political change and the speed of the unifying process had large impacts on the economy. However, results of the economic transformation in East Germany like elite reproduction, short windows of opportunity, successful role taking with wider implications for society, and social “side effects” are not restricted to certain transformation paths or to the German reunification. In this respect they will certainly have some relevance for the Korean situation.

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The Transformation of the East German Labour Market: From short-term Responses to long-term Consequences

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Abstract: »Die Transformation des ostdeutschen Arbeitsmarktes: Von kurzzeitigen Antworten zu langfristigen Konsequenzen«. The article describes the short-term and long-term consequences of the German reunification on the East German labour market. It shows which active labour market policy measures have been taken and evaluates these interventions with regard to a possible Korean reunification. The immediate consequences included a rapid economic structural change, high unemployment and emigration. Many of the measures undertaken were crucial for the successful transformation, for example, by adaptation of qualifications. Others, such as job creation schemes, short-time working and early retirement had more sociopolitical impacts and caused long-term side effects on age structures of companies and the labour market integration of the younger generation. For a successful unification of labour markets such effects need to be considered when acting in the transformation phase.

Keywords: Reunification, transformation, labour market, active labour market policy, East German.

1. Introduction¹

The German reunification was an exception within the transformation process in Central and Eastern Europe of the last century. Unlike the other post-communist states East Germany was not alone managing the transition, but could also count on massive support and assistance of West Germany, without which the process of economic and social catching up would probably have taken much more time. Renouncing political experiments the union took place quickly in two stages. First, with the Treaty on Monetary, Economic and Social Union on 1 July 1990, the German Democratic Republic (GDR) adopted large parts of the economic and legal system of the Federal Republic. Three months

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¹ This paper is based on a report by Bettina Wiener and Thomas Ketzmerick (2015).

later the East German states joined the scope of the West German Basic Law only within half a year after the first free elections in the GDR.

The fast pace had become necessary not only because the collapse of the East German economy was feared but also because of the strong demand for the introduction of the West German currency expressed by the East German population, accompanied by a high level of migration to West Germany. The wish for a quick unification was reinforced by the relatively widespread confidence that the economic reconstruction would succeed quickly. This assumption was supported by forecasts of leading economic research institutes that the development would be characterized by stability and additional growth resulting in rapidly falling unemployment and low inflation. The optimism culminated in the promise of the then German Chancellor Helmut Kohl to the citizens in East Germany to create together “flourishing landscapes” within a few years. Although the German unification is now primarily considered as a success, in 1990 hardly anyone expected that the challenges in the field of economy and employment in East Germany would reach such a degree and would be of such a long time, in particular that:

- unemployment and underemployment would massively increase to an unprecedented level in postwar Germany,
- the new federal states would become partially de-industrialized and dependent on transfers from the West for decades,
- even 25 years after the reunification there would be still a significant wealth gap between the two parts of the country and
- the exodus of East Germans to the West would go on for more than 20 years.

The following article describes the development of the East German labour market after reunification. In the first part, the focus is on the interplay between employment trends, labour market policies and consequences for different groups of labour force in the transformation at the beginning of the nineties. Policies included the adaptation of qualifications, which is considered to be crucial for the successful transformation, and the massive use of short-time working, which reduced unemployment, but prevented many employees from taking advantage of the opportunities opened up in the structural change for a short time. The transferability of the results and conclusions concerning this period for the Korean case is likely to be the highest, since the consequences of the antithesis between former East and West German systems and of the rapid institutions transfer were most pronounced in this time. In the following period, the situation was more determined by the consequences of the early steps of transition on age structures, youth unemployment and the dealing with it, which is subject of the second part. This section shows, for instance, how the use of early retirement in an unprecedented scale caused long-term side effects on age structures of companies and on the labour market integration of the younger generation. The third part is about persisting peculiarities of East

German labour market and its constraints. In the final part, conclusions and recommendations will be given for dealing with the labour market consequences of a systemic transformation, as it was done in Germany.

2. Unification Shock, Job Losses and Structural Changes

2.1 Initial Situation of the Economy and Employment in the GDR

The economic structure of the GDR was typical of a centrally planned economy. It combined a less developed service sector in contrast to strong primary and secondary sectors. However, many social services were integrated into the companies, such as the supply of housing, medical and cultural services, childcare, boarding houses among others. The structural change in the first years after unification was mainly due to the collapse of entire sectors of the economy, but also partly consisted of the transfer of integrated services into separate institutions.

Open unemployment was an unknown phenomenon in the GDR. Every citizen had a right of a workplace, regardless of economic requirements. The employment rate was very high, also among women. However, the level of productivity was low. Despite the high nominal working volume, the aggregate income was relatively low. It was shown that the employment structures in the GDR enterprises as well as the social institutions and regulations had many features of internal labour markets (Grünert and Lutz 1996). Job changes were uncommon and the system lacked essential institutional preconditions. This fact and the integration of many social functions into the enterprises promoted a strong orientation of the East German workers on safety and loyalty to their company. The resulting difficulties in learning rational labour market behavior, as well as difficulties in using and interpreting the GDR education certificates partly explain the specific developments in the East German labour market after unification (ibid.).

2.2 Structural Change by Shrinkage

After the reunification and the first adjustment of wages to the West German level, the East German economy was faced with the challenge to rapidly increase its productivity, to make a transition towards a modern Western industrial society and to find new markets, which had to replace the previous East European markets. For this, a crucial role was played by the *Treuhandgesellschaft*, a state holding agency, into which much of the East German economy had been transferred before the unification. Comprised of 13,000 companies and 4 million employees, its task was transforming the state-owned conglomerates and businesses into market-oriented companies through restructuring and privatization or by closure of non-sustainable enterprises. In particular, the East

German economy had been directly confronted with the rigors of the world market by the Monetary Union. The Unification Shock and the weaknesses of the GDR economy, which became visible with the Monetary Union, resulted in an employment drop of about 40 percent within a very short time (see also Lutz and Grünert 1996).

Table 1: Labour Market Balance GDR/East Germany 1989-1993 (in 1000 Persons, for 1990 to 1993 Each 2nd Half Year)

	[1989]	1990	1991	1992	1993
Total employment	[9.747]	8.060	6.903	6.289	6.259
of which...					
measures of active labour market policy*		886	984	464	296
Regular employment		7.174	5.919	5.843	5.963
Unemployment		642	1.038	1.110	1.175

Source: Beschäftigungsobservatorium Ostdeutschland, Nr. 16/17, Nov. 1995.

* Job creation schemes and publicly funded short-time working.

Thus, the number of non-subsidized employment changed from 9.8 to about 5.8 million in the period from autumn 1989 to 1992. Unemployment became a mass phenomenon. In the part of the East German population that was not directly affected, this also led to considerable uncertainty, because people were accustomed to full employment and stable jobs. The uncertainty was hardly diminished by the massive use of labour market policies. Through job creation schemes, short-time working, further training and retraining as well as early retirement one year after unification, about two-thirds of the dismissed were absorbed. Some of these were taken out of the labour market ("labour market relief" especially through early retirement), some enabled for a professional re-start, and often the unemployment was only postponed through short-time working but became a long-lasting destiny for many.

The decline in employment in East Germany was only, to a small extent, done by the cancellation of unproductive jobs, the closing of system-related organizations and services, or by the dismissal of ideologically encumbered employees. Most of the decline in employment turned out to be sectoral job losses, which particularly affected the agricultural and industrial sectors, i.e. manufacturing (including energy, water and mining). These areas represented almost half of the jobs in 1989, which was a high proportion compared with other industrialized countries and West Germany – even when taking into account that the enterprises in the GDR took over many social and cultural tasks, setting in many employees. The job losses included these as well as employees who were active in the core business of enterprises. But not only industry and agriculture, also several other industries dismissed en masse staff. On the other hand there were sectors remaining stable or even recording growth.

The dramatic decline in employment has been accompanied by an economic restructuring in a very short time. The employment share in the manufacturing

sector halved between 1989 and 1994; in agriculture and forestry, it even fell by almost two thirds. At the same time, the share of employment in construction increased more than twice (although the construction boom ebbed later somewhat) and, in service sector, it tripled. Thereby, different opportunities were mapped out for many employees out of structural reasons that were outside the scope of individual control. In addition to that, profound shifts in qualification requirements took place. Expenditures in education and social policies in extremely large dimensions became necessary.

Table 2: Economic Structural Change in East Germany (Employment Share in Percent)

Selected Industries	1989	1994	Change
Agriculture and Forestry	10.0	3.6	-6.4
Manufacturing	35.0	17.0	-18.0
Construction	6.4	16.0	+9.6
Services	6.0	17.0	+11.0

Source: Beschäftigungsobservatorium Ostdeutschland, Nr. 16/17, Nov. 1995.

The decline in employment did not lead to an increase in unemployment of the same level. Responsible for this, besides active labour market and social policy measures (more on this below) were the factors that led to a decline in the number of employed persons or employees, relieving the East German labour market (cf. Dahms and Wahse 1996):

- Decrease in employment of retired persons: in 1989 about 10% of pensioners, which corresponded to 280,000 people of retirement age, were employed to supplement their partly low retirement pensions. This group was particularly affected by job cuts.
- Return migration of foreigners: at the end of 1989 about 90,000 foreigners, mostly from Vietnam, Cuba and Mozambique, were employed in the GDR. The greatest part of these jobs has been terminated, reducing their number to about 30,000 within one year.
- Migration to West Germany: while in 1989 about 350,000 people had already migrated to West Germany (including 250,000 people of working age), this number peaked with 390,000 people in 1990. This was mainly due to labour market problems, poor work opportunities and earning opportunities in the East (Martens 2010).
- Commuting: out of the same reasons many people commuted to work in West Germany or West Berlin. In the mid-90s some 500,000 people were affected.

2.3 Unemployment and Socio-Demographic Characteristics

Despite intervening factors such as age relief through early retirement, migration and the massive use of other measures of active labour market policy

(more on this below), unemployment rose after the reunification in East Germany to an unprecedented extent. Due to the reduction of jobs and, in particular, after the expiration of special arrangements for short-time work in late 1991, which had previously prevented most of the job losses, the unemployment rate reached a peak in early 1992 with 16.5% (1.34 million unemployed), which was barely topped in the subsequent years.

From a social and psychological point of view, unemployment was a particular problem for the former GDR citizens. Not only did it represent a major setback in the life that brought about many other individual risks, but also the transition from the safety of the workplace and the life planning in the GDR into the uncertainty of unemployment was serious, not least because GDR citizens had strongly defined themselves by employment.

The prospects of individual employment were initially, first of all, dependent on the development of their own business or industry and, only then, on the individual characteristics such as gender, education and age or of the professional status in the years after reunification. In the case of job cuts, social plans were used. According to these plans, dismissals were carried out selectively, based on social criteria such as age, seniority, severe disability and family obligations. The idea behind this: Younger workers find new jobs quickly, middle agers, especially those with families, often stay or get retraining and older workers can be sent home. At the same time it was important to keep the best employees for the remaining core staff. Especially larger companies tried to ensure socially compatible job cuts by social choice, which came at the limits of possibility in a time of mass layoffs.

If unemployment occurred, reemployment opportunities and the further employment career have been strongly influenced by socio-demographic characteristics, of which three can be highlighted (Lutz and Grünert 1996):

- Gender: a few years after reunification women held a far greater proportion of the unemployed than men. This was partly due to higher risks of women to lose their jobs. Layoffs took place according to the positions in the economic and professional structures. Sectors producing mainly for private consumption such as agriculture, food industry, textile and clothing industry had traditionally a high proportion of women and were the first to react to increasing competitive pressure with redundancies. In addition, cross-sector female-dominated professions, such as office and administrative occupations, were more affected than others. But first of all, women were longer unemployed than men because their reemployment opportunities were significantly lower than those of men. The given oversupply of labour also let attitudes towards women come into play, which were based on prejudices regarding alleged lower performance and availability for the employer. Mothers and especially single parents were particularly affected. The causes for higher unemployment were both unequal distributed risks for lay-offs and unequal opportunities for re-

employment.² As a result, the unemployment rate for women in 1994 was twice as high as that of men with 21.5% (Wiener 1997, 31).

- Age: A substantial relief of the East German labour market in the first years after reunification was achieved by broad application of institutional arrangements for the transition into early retirement. East German workers could retire early upon dismissal (Wiener 1997, 21 et seq.). Therefore the elders had to bear a disproportionate share of job losses. This happened not only in the form of early retirement, but also via unemployment. Like women, the elders also had fewer opportunities than middle or young-aged people, to find a new job in the event of unemployment.
- Education level: The proportion of labour force without qualifications was very low in the GDR. Nevertheless, after the reunification of the East German labour market a clear relationship between formal qualification level and employment opportunities could be observed. This mainly led to significantly higher unemployment rates for people with medium skills (skilled workers) than among academics (with polytechnic and university degrees). A similar effect was seen in the professional status of employees in 1990; employees with simple tasks were more strongly affected by the job cuts in their industry than those with skilled tasks and had poorer reemployment opportunities, if unemployed.

2.4 The Role of Labour Market Policies

From 1990, the federal government attempted to combat the effects of job losses with the active labour market policy of the Federal Labour Office (now “Federal Employment Agency”), by the mobilization of substantial resources. In addition to the early retirement arrangements, short-time work, employment-generating instruments such as job creation schemes (*Arbeitsbeschaffungsmaßnahmen*, ABM) and further training or retraining measures were used. Although these instruments were originally intended to assist structural change and improve individual employment opportunities, in the new federal states they served de facto to absorb mass unemployment. The following section provides an overview of these measures (see also Dahms et al. 1996).

From October 1990 until the end of 1992, early retirement benefit for people from 55 years could be applied for. In this way the then Federal Labour Office tried to reduce the labour supply and to relieve the labour market. The shrink-

² In many cases both worked together, so were industrial workers, according to West German legislation – unlike, for example, women in service occupations, such as nurses – until 1993 not allowed to work in shifts. Among others a typical East German woman occupation in the chemical industry was concerned, the system driver. With the unification the ban on night work for female workers was automatically transferred to the new federal states and only in 1992 it was canceled due to discrimination against women. But at this time dismissed workers hardly came back into the closed labour market (Wiener 2011, 97).

ing companies made extensive use of this possibility. A total of around 900,000 people availed themselves of retirement benefit. Whole age groups disappeared from the firms. In subsequent years, after the age limit was raised again, there were only a few regular transitions from employment to retirement per year left, thus keeping the replacement demand for young professionals and workers low over a very long period.

Short-time work is an instrument which is used to compensate a temporary operating-related reduction of working with unemployment insurance benefits to avoid redundancies for workers and subsequent re-occupations by employers. This measure was used in East Germany mainly in 1991 and 1992 to prevent an even higher unemployment. Special arrangements have made it possible that even subsidized temporary layoffs were bridged, and that benefits were granted even without any prospect of continuation of the employment. For the duration of these benefits, the affected workers should be allowed vocational training or retraining. At the peak of short-time work in April 1991, around 0.8 million people were unemployed compared to about 2 million workers on short time. From 1992, the conditions for these measures had been restricted, thus reducing the numbers in 1993 to about 150,000 workers on short time, and a further decline to 13,000 participants took place until 1999. While this instrument initially reduced open unemployment quite successfully, the majority of workers on short-time work had been affected by a long-term unemployment after this measure.

The former Federal Labour Office promoted employment measures in a large quantity. Employment subsidies such as job creation schemes (*Arbeitsbeschaffungsmaßnahmen*, ABM), so called structural adjustment measures (*Strukturanpassungsmaßnahmen*, SAM) and productive wage subsidies in accordance with §249h publicly funded temporary jobs to assist job seekers during the re-entry into employment, to maintain their employability, to counteract de-qualification and de-motivation tendencies among unemployed persons, and to secure a low income. Generally, low skilled and additional jobs were subsidized, which should not compete with economic activities. Nevertheless, it should be non-profit as well as public interest work. ABM was used mainly in municipalities and associations. Municipal employment companies, associations or social organizations were the agencies of ABM. Participants were employed in areas such as youth welfare, environmental protection, conservation, social services or tourism. Since the early 90s, so-called companies for employment support, employment and structural development (*ABS-Gesellschaften*) were established in East Germany, with which some of the measures were carried out within enterprises or municipalities. These companies were supported and advised by regional and sectoral management companies as well as a holding company of the federal state. The state holding agency (*Treuhandanstalt*, THA), managements of companies, employee representatives, trade unions, employers' associations and the Federal Labour Office were

involved too. The aim of the ABS companies was to support transitions to unsubsidized employment and start-ups by providing lasting jobs. However, these objectives have been achieved only to a limited extent.

Employment subsidies, such as job creation schemes, were important instruments of the so called second labour market beyond the year 2000, combining labour market and structural policy objectives. The usage of these measures increased quickly after reunification. In East Germany, an average of 400,000 persons was employed alone with ABM in 1992, in SAM about 40,000, employment in accordance with §249h reached more than 100,000 people still in 1995. Due to the high costs, the instruments were scaled back somewhat subsequently, but remained at a high level until 1999, so an annual average of about 250,000-350,000 people was subsidized. Women were underrepresented in the participation in these activities, mainly because the measures focused on infrastructure improvements and environmental protection with preference for male workers (Wiener 1997, 25 et seq.).

Criticism was raised especially on the achievement of these measures. Along with the increasing scale of temporary employment through ABM, the integration into the labour market became difficult. With a rising number of persons with disadvantages in the labour market that had been involved in ABM, not only the integration problems increased, but also the implementation of ambitious measures to achieve local, regional and structural policy effects became more difficult. The concentration of subsidies on (additional) off-market activities also ran counter to the aim of acquiring vocational technical, market-oriented qualifications to improve the employment prospects (BMAS 2005). Moreover, it was criticized that the funding was too short for people furthest from the labour market and, rather, a gradual, long-term, social and labour market integration strategy must be pursued (Obermeyer et al. 2013). It is unquestionable, however, with respect to structural mass unemployment, that these measures were an important contribution to social integration of many people having no other employment opportunities due to low demand, but also for society as a whole. Critics complained, furthermore, that the ABM was meant to whitewash the unemployment statistics and to keep the reported unemployment rate lower than it is in reality. Participants of a job creation scheme have not been listed as unemployed in the statistics.

Besides job creation measures, government-sponsored further training and retraining courses (*Fortbildungs- und Umschulungsmaßnahmen*, FuU) were increasingly used to prepare the mostly qualified employees for the new activities. Training schemes should improve the chances of persons seeking work, either by extending existing qualifications or by adapting to new developments, or, in the case of retraining, new professions were acquired. Furthermore, integration activities were supported on a small scale as well as measures in part-time education. While the funding lasted usually two years or sometimes even

longer at the beginning of the 90s, it was reduced to only 18 to 21 months for re-training, and not more than 12 months for training from 1993.

After the rapid achieving of the peak level of about 500,000 participants in mid-1992, the instrument was gradually reduced down to an average of 140,000 people in 1999. Between January 1992 and July 1993 alone, there were more than 1.1 million participants in training schemes. The instrument played an important role in adapting the skills of many East Germans to the new requirements during the transition period. However, many courses did not meet the requirements in the labour market after the completion of the initial restructuring of the East German industry. During the decline in the creation of new jobs fewer participants succeeded in the transition into employment on the “first” labour market. Furthermore the ongoing structural change often contributed to a rapid devaluation of gained qualifications, for example, in the case of qualifications for the construction industry, as the construction boom lasted only a few years after the unification. Women were more often than men involved in the training and retraining measures of the nineties. However, their proportion in integration activities, which supported the opportunities for entries into employment in a special way, was always lower than the proportion of men (Wiener 1997, 26). Nevertheless it is important to note that the adaptation of qualifications by labour market policy measures played a crucial role for the success of the East German transformation.

Table 3: Unemployment and Measures of Labour Market Policy in East Germany (in 1000 Persons, for 1990 to 1993 Each 2nd Half Year)

	[1989]	1990	1991	1992	1993
Total employment	[9.747]	8.060	6.903	6.298	6.259
Unemployed		642	1.038	1.110	1.175
Taken out of the labour market by:					
Further training/Retraining		45	310	434	368
Early retirement		460	705	834	778

Source: Beschäftigungsobservatorium Ostdeutschland, Nr. 16/17, Nov. 1995.

Since youth unemployment developed in East Germany to a specific issue, which resulted in massive migration to West Germany, measures have been used to a large extent to support young graduates of initial vocational training in their integration in the labour market. Only a part of the action was specific and, in most cases, it was a rather spontaneous reaction to a very high demand comprising of measures for as many young people as possible. Lots of so-called “initial actions” or “assisting in placement” measures (candidate training, language or computer classes) were funded with no apparent goal orientation. This was meant to mobilize the participants, but due to the lack of individual customizing of the content offered to the different levels of the participants, it rarely worked as a bridge to permanent employment. The more successful measure types included special qualifications or complete reorienta-

tion (educational push) as well as measures that were aimed at the demand for workers such as “start-up by bridging allowance” or “pool solutions” for apprentices (employment pull) (Wiener and Meier 2006). Solutions in form of innovative and sustainable measures for young people entering labour market after initial vocational training never reached a necessary extent. Many young adults had to make biographical experiences, which sharply reduced their willingness to achieve and to integrate into society.

Considering the lessons to be drawn from these developments for Korea it has to be noted that the two German states had a far more similar economic as well as qualification structure of the labour force before the reunification than it is probably the case with North and South Korea. For example, the very high unemployment in East Germany from 1990 was mainly due to the lack of competitiveness of the East German economy, the subsequent partial de-industrialization and the decline in employment, but not due to a strong mismatch between available skills and the requirements of the economy. With their certificates acquired in the GDR, both on skilled workers and academic level, the majority of East Germans possessed qualifications that were either directly usable on the all-German labour market, or required only relatively short training and integration measures.³ By contrast, in the case of a reunification aiming at the alignment of living conditions Korea faces a double challenge, namely both the development of an efficient economic structure with adequate employment opportunities for the North Koreans, as well as a massive increase and adjustment of the qualification structure of the North Korean labour force.

2.5 Differentiation of Chances and Unequal Perspectives of Various Groups

While the older generation was sent into retirement to a large extent, there were different opportunities for the middle-age group, creating a gap between so-called stayers and changers. Many of the employees still working in their old positions in the first few years (stayers), had difficulties to enter into employment later. Because the number of job opportunities remained low for a long time, only the first dismissed were often those who found jobs in the new structures (changer) that turned out to be permanent in most cases.

This relation between the date of dismissal and the subsequent employment destiny is particularly evident in the example of the similarities and differences in job losses in the industry and agriculture. These areas had to bear the brunt

³ Technical modifications, the implementation in new professional activities or new tasks were less problematic for most East German employees because they felt well-prepared. Difficulties arose rather by changes in work organization and managerial achievement and communication principles in the transition from the socialist planned economy to the social market economy (Heinz 1996).

of job losses after reunification. Employment in industry fell below 40% of the value of 1989, in agriculture even below 25%. Employees of both areas were at particularly high risk of becoming unemployed, especially the low-skilled workers or those in low positions. In contrast to the industry, however, the decline in employment occurred much faster in agriculture. This was due to the rapid transformation of the legal form of GDR's agricultural cooperatives based on the Agricultural Adjustment Act of 1990. In contrast, the activities of the state holding agency (*Treuhandanstalt*, THA), within which the most industrial enterprises had been transferred, and which included privatization, restructuring or closure of companies, lasted until the mid-90s. Although a far higher proportion of the agricultural workers in 1990 was dismissed much more quickly, as it was the case with the industrial workers, their employment rate was hardly below the overall rate three years later. Many of these workers were confronted with the necessity to seek a new job very quickly. Unlike the former industrial workers, they were often successful in changing into other sectors with better employment prospects, particularly the construction, trade and local authorities. Regional mobility, especially towards West Germany, played also a major role. While workers from agriculture had been hit very fast and hard by job losses, in their case the instrument of short-time work was rarely used, compared to the industry, so that the dismissed workers were likely to be unemployed. But as quickly the unemployment rate increased, so did it go down again.

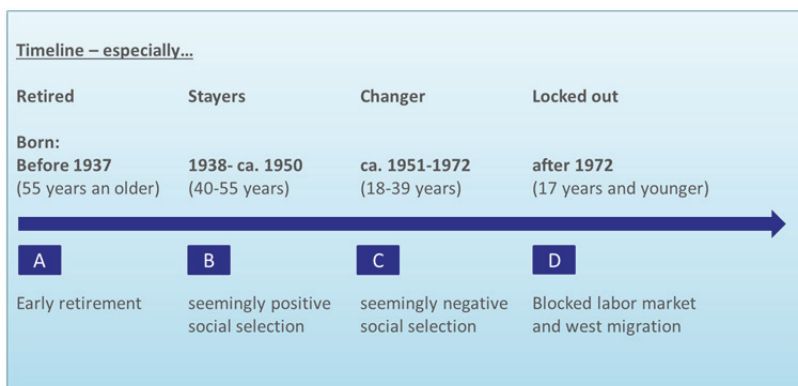
For a considerable time, most industry workers apparently believed that their company would soon be back on its feet and that it would be rational to wait until then and not to put their entitlements to benefits at risk through voluntary mobility, according to the widespread logic of internal labour markets within the former GDR industry. Instead of trying to re-orientate quickly, they lost irreplaceable time for the use of employment opportunities that were available only for a short period of time (Lutz and Grüntert 1996, 117). In these differentiation processes, labour market policy measures such as short-time working and job creation schemes often proved to be a trap, because they held participants from making use of the open structures and new opportunities available only within a short time frame. As early as 1992, this time window of opportunities closed again, which brought about in many cases, long-term absence of market-induced employment chances.

By the year 1993, the employees of 1990 were thus divided into three groups of approximately equal size with different employment perspectives which were closely linked to their age:

- About one third was no longer employed, either as early retirees or as a pensioner or unemployed until retirement – the “retired”
- Approximately another third had to leave their previous job either voluntarily or forced and found a new job or became self-employed – the “changers”

- One third was still employed at the same place – the “stayers.” This also includes internal changers with changes within their old employment.

Figure 1: Unequal Perspectives of Different Groups



These three groups were supplemented by a fourth a few years later, whose chances had already been affected by the developments in the first period after reunification – the “locked-out.” The age relief of the labour market mentioned above led to a drastic reduction in the replacement demand by sending a big part of the older employees home within a short time. For about 10 years there were very little retirements. At the same time, there was hardly additional demand through employment growth. Thus the baby boomers, leaving school from mid-90s, entered a de facto blocked labour market (see also Section 3.2).

It is important to note here, that large-scale, temporary measures like early retirement focusing on socio-demographic groups (especially age groups) may have serious long term consequences, if they disturb the succession of generations within the employment system.

2.6 Migration

A significant impact of the labour market changes were emigration waves expelling particularly skilled, young people and women from the eastern regions due to lack of job opportunities. From the political change in 1989 until August 1995, more than 1.5 million East Germans have left their homes and have moved into the old federal states or abroad. This was not offset by half a million people from West Germany and foreigners moving to the new federal states in the same period. In net terms thereby arose a migration loss of a million people at the expense of the eastern federal states.

Due to the problems of the baby boomers career starts a few years later, there was a second wave of migration especially among young people. Poor initial vocational training and career opportunities for young East Germans

resulted in over half a million young East Germans moving temporarily or permanently for a training or employment to West Germany from 1999 to 2008 (Grünert and Ketzmerick 2010). Women were particularly concerned in the second wave. Despite higher average degrees, they experienced greater difficulties at their labour market entry than men, but were more likely to escape this by emigration too (Ketzmerick, Meier and Wiener 2007, 9). In addition, they attained higher levels of education, which also brought about a stronger inter-regional mobility and out-migration. All this led to a partly lack of women, especially in rural regions of Eastern Germany, with negative consequences for the integration of the remaining men and further demographic development. To counter this development, it has been proposed to promote the male population in education and training, and to improve the integration of local women (Kröhnert and Klingholz 2007, 48 et seq.).

Without labour market support, the new federal states probably would have been depleted even more. But despite the various measures and schemes of ALMP the exodus from East to West Germany was unstoppable for a long time.

After a Korean reunification, the migration pressure on the south by young North Koreans will probably also be high. South Korea's economy and society is exposed to the long-term risk of aging by the low birth rate. The fertility rate was 1.3 in 2012. Currently aging proceeds fast, in the period between 2003 and 2013, the share of the over 64-year old increased from 8.5 % to 12.2% (EU: 16.2% to 18.2%), at the same time the number of below 15-year-olds declined from 20.0% to 14.9% (EU: 16.6% to 15.6%) (World Bank 2014). In contrast the population in North Korea seems to be very young, the fertility rate is still relatively high with 2.01 in 2011 (DPR Korea 2008). Young North Koreans represent a potential both to cushion the consequences of demographic change for the South Korean economy and society as well as to mitigate North Korean unemployment in the future. To avoid a brain drain and to make migration a success, it requires controlling and helping interventions. Large-scale assistance for the integration into the education system, the labour market and for social integration would be necessary.

3. Further Developments after the Transformation of the East German Labour Market

3.1 Deformed Age Structures in Companies and the Risk of an Ageing Workforce

After completion of the initial rapid restructuring of the East German employment structures from the mid-90s, a strong tendency of closing the personnel structures became visible in many surviving plants in East Germany. It was

characterized by persistent job losses, but usually no more mass layoffs. Due to social plans for redundancies in 1990/91, the proportion of young workers had been significantly reduced, and at the same time almost all older workers were disappeared through early retirement. This very often led to homogeneous age structures dominated by middle ages within companies. Sectors with a structural internal orientation of their personnel policy i.e. major industrial companies, agriculture, public establishments and education were affected particularly.

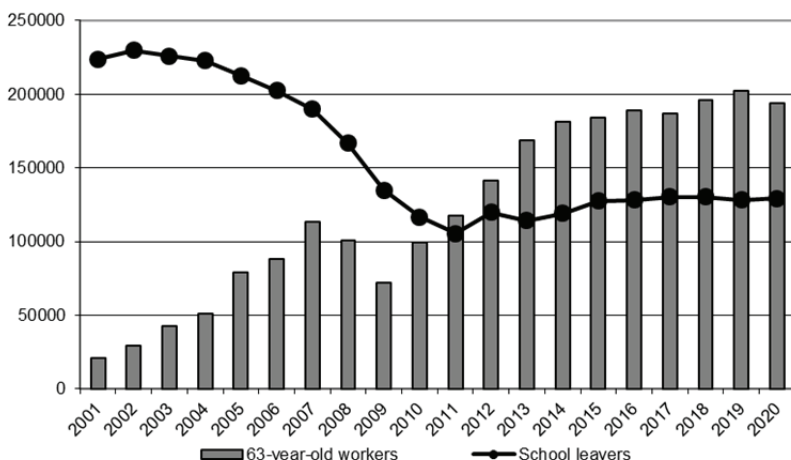
In these areas, a high value is traditionally placed on permanent staff. Instead of frequent recruitments from the external labour, market vacancies are filled by promotion through internal tracks, while acquiring in-house skills gradually (see also Doeringer and Piore (1971) on internal labour markets). These companies depend on balanced age structures to achieve a continuous flow of internal careers and to ensure the necessary loyalty of employees through predictable advancements to more attractive jobs with better pay.

Ironically, in these establishments the resulting age structures led to a halt of internal mobility by resignation of older employees. At the same time only few younger employees were left that could form the future core of the workforce. The resulting blockage of the process of generation exchange was even exacerbated by a low additional employment demand due to the low growth rate in East Germany since the mid-90s. Thus, in most establishments of this type, often there was a hiring-freeze that prevailed for years. This led to exposure to the risk of progressive aging of entire workforces. Internal careers came largely to a halt and the flow of knowledge inside companies through newly trained youth ripped off. Many businesses stayed in this solidification until the early 2000s.

3.2 Blocked Exchange of Generations and the "Demographic Trap"

The blocked generation exchange in the East German companies was also reflected at the level of the entire employment system in the form of a significantly reduced demographic reproduction of the active workforce. As a result, the number of workers below the age of 35 declined from about 1.8 million to 1.1 million in the period 1998 to 2006. This held true, although at this time baby boomers finished education and training and entered the labour market. The high labour supply was a result of the family policy of the GDR. In the mid-70s, the GDR leadership had tried to counter the decline in birth rate that was to be observed here like in all developed societies with some very complex social and family policy measures to promote the birth rate. These measures proved effective to such an extent that the annual number of births rose rapidly from around 180,000 in the years around 1975 to around 240,000 in the early 80s. This cohorts left from the mid-90s school and vocational training and came across a more or less closed labour market.

Figure 2: School Leavers and 63-Year-Old Workers in East Germany 2001–2020



Source: School leavers statistics publications from the Conference of Ministers of Education and Cultural Affairs; employees extrapolated from the Employment Panel of the Federal Employment Agency and from subject matter series 1, series 4.1.1 of the Federal Statistical Office.

The East German labour market has long been characterized by imbalances in demand for and supply of young talent. Each stable employment system is, in principle, reliant on an even relation of the numbers of older workers retiring and younger workers replacing the older. In eastern Germany this ratio is severely disturbed. Figure 2 shows the development of the theoretical supply by the annual number of graduates in general education, while the replacement demand is expressed by the annual average number of 63-year-old who will probably be retiring soon.

The picture shows a striking image: Two opposite imbalances follow one another closely. While the annual influx of school leavers into the initial training and labour market exceeds by far the age-related loss of employment in the early 2000s, the number of school leavers dropped dramatically since the middle of the following decade. In contrast, the number of retirements increases rapidly. The long-term oversupply of school leavers changes quickly into a shortage since around 2011. Some of the causes of these imbalances date back to the social policies of the GDR leadership and the labour market policy decisions of the early nineties. The good economic development since 2006 strengthened this trend considerably. In the situation of the early 2000s it was very difficult for establishments, chambers of crafts and trade, associations and politics to anticipate the coming quick changes and to prepare appropriate measures before it was too late. This problem was referred to as “demographic trap” (Grünert et al. 2012).

3.3 Youth Unemployment and the Promotion of Initial Vocational Education and Training

The constellation of high numbers of people finishing school and low capacity of the training and labour market for young people held for more than ten years. It led to high youth unemployment, particularly long-term unemployment over a year. Affected training applicants were primarily for vocational training in the dual system of education and training graduates. In the system of dual initial training qualifications in the upper secondary level are acquired in collaboration of companies and vocational schools, monitored and certified by the relevant chambers according to the German Vocational Training Act. Traditionally, due to the strong involvement of companies in the professional qualification process, the dual vocational training ensures a good coordination between training contents and specific requirements of the workplaces and provides successful transitions from school to employment. On the external labour market, the system is also successful. The strong signal function of generally accepted diplomas contributes to high numbers of graduates finding appropriate jobs. Even before the reunification, training systems of this type existed in both parts of Germany and produced similar certificates which promoted the creation of a common labour market for skilled workers with a high intra-German mobility of professionals.

Around the turn of the millennium, however, the problems of transition from school to initial vocational education and training (VET) and from VET into employment led within the baby boomer cohorts to underemployment rates⁴ of 40 to 50% in East Germany, and over 20% of VET graduates were without a job for more than one year (Ketzmerick 2011). To improve the chances of young people in the labour market, subsidized VET was implemented on a large scale in East Germany by promoting both dual VET and external (extra-company) VET. The aim was to offer every willing and able applicant an apprenticeship. This will be discussed briefly below.

Temporarily almost one in three apprentices received a publicly funded external training at private educational institutions in the new federal states. Unlike the apprentices at the classic dual system, the external trainees cannot transfer directly into a job at the end of training. Rather, they have to apply on the external labour market, making transition into employment riskier. The external training takes place mostly at school. It has a low proportion of internships and is also often not geared to the requirements of the future workplace. That reduces the value of this form of training with respect to the dual training. The trainees were later stigmatized as second-class applicants for jobs (Prein 2005). The situation had worsened due to a negative pre-selection of applicants for external trainings and yielding a focus on young people, which had been

⁴ Share of workforce in unemployment or in measures of active labour market policy.

unable to find a dual VET out of individual reasons. As a result, graduates had bad chances to find employment. Around the millennium, only about one in two found a job within the first year after the training (ibid). Considering the individual labour market careers in longitudinal perspective, it was shown that the chance of a successful labour market entry for dual trained was almost twice as high as for external training graduates (Sackmann and Ketzmerick 2010). Nevertheless, this form of training was the only way for many of the baby boomers to prevent them from even more difficult labour market entries without any vocational qualification.

In addition to the creation of external training opportunities, up to three quarters of all dual training apprentices were state-subsidized to increase the supply of such promising training courses. However, despite high use of resources, this strategy helped relatively little for the sustainable improvement of employment opportunities for young people, because a gradual habituation of training enterprises to government funding occurred (see Grünert and Lutz 1999). Moreover, the funding policy had an adverse impact on the sustainability of the occupational structure of the apprentices. Especially low-cost training courses were funded mainly for professions with low potentials for the creation of additional value and were merely applicable in rather small ranges of occupational positions. Promoting in such way supported a professional structure that neither fostered good employment opportunities for young people in the long-term nor matched the skill requirements of an economic structure toward which the settlement and economic development policy were oriented.

Since the late 2000s, the employment opportunities for the former unsuccessful entrants have improved because of an increasing labour demand and falling numbers of graduates. The majority of them could find jobs later. However, about a quarter of these unsuccessful job starters did not manage to enter into the profession they had learned, so they were just employed as unskilled workers (Ketzmerick 2011). But this kind of employment destroys – like unemployment – usable skills and human capital, increasing individual employment risks in the future.

4. Persisting Peculiarities of the East German Labour Market

Today, the real wages in East Germany are at 85 percent of the western level. The long lasting high unemployment rate has halved since 2005, from 18.7 percent to 9.4 percent, but it is still about twice as high as in Western Germany with many long-term unemployed. In addition, the labour market integration was achieved to a considerable extent with atypical, low-paid and precarious employment. In the structure of employees there are many women and skilled workers. The continuous strong labour market participation of women in the

younger generation is often interpreted as the continuation of GDR tradition, but it is also forced by lower wage levels. The men's incomes are often not enough to supply households. These individual observations relate to permanent, structural differences of economy and labour market between East and West Germany today, which are briefly summarized below.

The year 1994 marks the end of the first phase transformation period of the East German labour market after reunification. Until that time, the majority of the restructuring and the decline in employment was completed and the so far high inter-organizational mobility declined significantly. It became clear that not all the expectations of the reorganization of the employment structure would be fulfilled (see Lutz 1996). In the course of transformation the industrial employment had fallen drastically to a share, which was only half of the West German value. This was not compensated by a growing service sector in terms of tertiarization despite a rising employment share here. In East Germany the market-induced demand for modern corporate or household-related services is low. It comes neither from the small-scaled and mainly to regional markets oriented industry, nor from the households that have only a comparatively low purchasing power due to the decline in employment and the persistently low income. Likewise, the East German service sector does not have sufficient access to national or international markets that could trigger a dynamic employment here. As a result, the employment in East Germany after the reunification never again reached the level of the former GDR.

Large industrial companies with high innovation and market strength had to bear the brunt of the employment contraction since 1990. Until today the East German economy is dominated by small businesses with predominantly manual production for the local or regional supply. After 1990, the majority of new jobs was created here (Hartmann, Vienna and Winge 2006). The qualification structure of their workforce is dominated by skilled workers, ensuring flexible quality production. In West Germany, on the other hand, there are to be found in average larger companies with internal labour markets and higher levels of unskilled and semi-skilled workers that can be used in mass production with Taylorist work organization. Those workers can be recruited relatively easy. For the supply of qualified personnel in East Germany is – in addition to their training – particularly for small businesses, a functioning external, inter-firm labour market of great importance to adjust the employment of seasonal or cyclical fluctuations in the order situation. But during the 90s, in East Germany the conditions for the adequate supply of qualified personnel in the external labour market have deteriorated.

This applies to the orientations of the actors of the labour market, both the personnel decision-makers in companies as well as the workers. For many years they were still strongly influenced by their experience with inward-oriented human resources policy on the internal labour markets of GDRs combines. On the companies' side, there was an adherence to core staff and an

inadequate understanding of the importance of the external labour market, of the rational use of supply and demand and the successful signalling in the form of wage offers for vacancies. This was connected with the orientations of employees. In the situation of high unemployment and low prospects of re-employment, they were interested in stable employment (Köhler et al. 2008) and accepted low incomes in exchange.

These constraints, as well as the long-standing low retirement figures and the low employment growth resulted in stagnation in parts of the East German labour market for a long time. Closed employment systems dominated, with low rates of external, direct and voluntary job changes (Ketzmerick 2002, 2006). Big parts of the mobility were associated with interruptions, unemployment or to job creation schemes. Even direct changes between jobs led more scarcely to advancement in income; thus, it served to achieve other advantages, let alone to avoid unemployment (*ibid*). Changes in professional fields frequently led to unemployment (Diewald and Pollmann-Schult 2009), on the other hand, professional advancements on the external labour market and re-entries of unemployed into skilled employment were relatively rare. Therefore, involuntary mobility was more frequent as in West Germany, although the small-scale economic structure should actually involve a greater use of the external labour market.

The picture, which was dominated by a long-term stagnation, has revived since around 2005 by the reform of legislation and the flexible labour market as well as the economic and employment growth in East Germany. Here, however, not only the proportion of the external labour market has increased, but also the secondary labour markets has grown, with rising numbers of positions with high income or unemployment risks (see. Krause et al. 2012). Jobs in the external segments of the labour market are more uncertain and worse paid than those in West Germany. Instability affects not only the low skilled workers in East Germany, as it is the case in West Germany, but also those with vocational qualifications. While East Germany is only approaching the west in its dynamics of “externalisation,” it outperforms West Germany regarding the weight of secondary labour markets.

Therefore not only the supply function of the labour market for firms was weak for many years, but also the function of allocating life chances, status and income for workers was often likewise insufficient. The sharp increase in the risk of unemployment and professional descents had exercised an uncertainty effect even on not directly affected workers in East Germany. In pursuit of employment security, many employees were willing to make concessions to employers, both in terms of employment conditions as well as the job performance including overtime, and, in particular, with regard to the payment. That is related to the weak position of unions in East Germany. The German system of collective bargaining has been degraded for many years by the decline in trade union and employers’ federation membership, of which East Germany

was particularly affected (Frerichs and Pohl 2004). In addition, decreasing firm sizes through outsourcing and dismantling of conglomerates led to fragmentation and division of the workforce, diminishing the regulatory and guidance function of collective agreements (Fichter, Gester and Zeuner 2004). In 2004, only 41% of East German workers were covered by sectoral agreements, compared with 61% in West Germany (Bothfeld 2007). Meanwhile it becomes evident in some areas, such as the metal industry, that the situation broadly stabilizes on a low level in East Germany (Ellguth and Kohaut 2013) and that there are new combinations of works councils and agreements on company level in the form of works agreements between company management and works council (Kohte 2012).

However, the high proportion of skilled workers is a key success factor in the small-scale economic structure of East Germany since reunification. These workforces ensure a high degree of operational flexibility and quality production, despite low wages. Given the pending retirement wave and the changed framework (recruitment problems, increasing demands on wages) the exchange of skilled workers will be the decisive challenge for the East German firms for the coming years. This holds true, especially since the numbers in company vocational training are low (Buchwald et al. 2014). Today the reason for this is no longer the low need for junior staff, but the difficulties in filling training places due to the shrunken number of school leavers. In the current situation of rapid demographic change and increasing replacement demand (see section 3.2), which is also an echo effect of rapid transformation 20 years ago, the supply of qualified junior staff is too low. In particular, small businesses with poor resources are most exposed to the risks of a competition for skilled workers. Only few companies have prepared for the changing conditions in the last years. Overall, the pace and extent of changes have overstrained the ability to anticipate and the adaptability of businesses, also in the chambers, associations and politics. Meanwhile, measures for dealing with the challenges of demographic change on the East German labour market are promoted comprehensively, but the remaining time for establishing effective measures is short.

It turns out that, despite all the achievements in the unification of the German labour market and the convergence of living standards, differences remain that will never or only very slowly disappear. This must be expected also in case of a Korean reunification aiming at the alignment of structures. Many of these differences are inevitable, as they are determined by the initial conditions. These can include on average smaller businesses with less innovation and market strength as well as lower wages. Other differences can be successfully fought and reduced, for example, through the expanding of infrastructure, the development of human capital, including the prevention of a lost generation of young people. However, some of the differences could be exacerbated or even created as a side effect of the initial efforts to solve problems. Examples of this in East Germany are the division of employment chances by age, the promotion of imbalances of

companies' age structures and the subsequently increased integration problems for young people. In these cases it is important to act from the outset and to predictively assess and combat side effects. Thereby measures are helpful that improve skills and the employability of the workforce, as well as those that help companies to become competitive on a pan-Korean labour market and to sustainably secure their personnel through training and familiarization.

5. Conclusion and Recommendations

Not all policy decisions that have been taken initially to help and support the labour market have positive effects in the long run. However, for a long time there was a danger of strong inequalities between the two German labour markets, which had to be offset by significant labour market policy interventions and transfers. The aim was to contribute to similar living conditions and counteract mass migration, economic depletion in East Germany that would have been even stronger otherwise. Against this background, the last section draws some conclusions for dealing with the labour market consequences of systemic transformation, as it was done in Germany, which might be relevant for a possible Korean reunification.

The period of transformation during which new opportunities arise is short. Political action within this time span can help or harm in the long term. Government funding after reunification contributed in part to the conservation of unsustainable jobs. The people who had been affected by this had poorer employment opportunities afterwards than those who had to find a new job quickly. During the transformation, a fast follow-up employment is often better than a lengthy retraining.

However, public interventions are often necessary. Measures focusing on socio-demographic groups (such as the low-skilled or older workers), influencing the employment status and life career of large groups, can solve problems in the short term. However, negative consequences can be expected in the long term. Early retirement schemes for large sections of employees in Eastern Germany led to deformed age structures in companies, deficits in employment strategies, and subsequently they promoted integration problems of young professionals which contributed to the exodus of young people to Western Germany. These consequences can be overcome only gradually and they need to be anticipated and considered before taking action.

There are two ways of using labour market policies measures educational-push and employment-pull. In the case of educational-push high-quality, market-oriented measures with specific content orientation have proven effective. The integration success can justify the high cost. Widespread general measures, on the other hand, received negative evaluation results, so they are perceived just as a temporal bridge in unemployment phases. If financial support for initial

vocational education is granted, it should be strategically focused on high quality programs for the occupations of the future. If only aimed to enable any education for as many young people as possible, the problems are just moved from the education market into the labour market. In the case of creating an employment pull into companies, so-called transitional labour markets are discussed. They make it easier to switch between different training phases and employment and they provide for social security. In particular, the interaction of professional experience at an early stage and the deepening of this experience in the general education system ensure sustainable employability (Schmid 2006).

People who have been absent from the labour market for a long period cannot be expected to hold a performance orientation when they are needed again. Holistic and rather costly approaches for re-integration are necessary for them. First, they need to learn and develop behaviour patterns and norms that are considered essential in the modern world of work but this can only be gained with practical experience. Additionally, they must acquire elementary professional knowledge (about rules, regulations, performance expectations, etc.), which mostly cannot be learned in courses, but by a close hands-on experience. Finally, they should obtain an update of competences or new professional qualifications – either building on an original vocational training or in the form of retraining for a new occupation. Crucial for the success of these measures is the practical relevance of training and the strategic focus on a promising occupational structure. High quality trainings with good prospects for employment are – despite a possibly limited number of participants – likely to bring more people into work than great numbers of qualification measures at low costs.

Generally, the reduction of employment policy to labour market policies can lead to long-lasting dependence on transfer payments for large parts of the population. Active labour market policies must be part of an investment and growth-enhancing strategy. At the same time, the decentralization of labour market policies and a bigger on site-authority in decision-making is desirable because the local actors know the relevant circumstances and will meet the action needs best.

A reunification involves abrupt changes and uncertainty in many spheres of society. At the same time, serious effects are to be expected due to biographical disruptions, interruptions in the course of generations in the education system, labour market and employment, as well as demographic discontinuities due to changes in the birth rate. In case of a reunification, a strong decrease of the currently high birth rate in North Korea would be conceivable, as it was the case in Eastern Germany. Even decades after reunification, echo effects are possible in the form of strong changes of supply and demand in the education and employment system. This may overstrain the adaptability of the institutions in politics, society and economy. A foresighted policy should prepare the affected stakeholders in advance and offer assistance.

After reunification, it is also conceivable that the migration pressure on the south by young North Koreans will grow. Young people have rather good integration opportunities. A labour market policy that encourages regional mobility can have positive effects for the people concerned. Jobs far from home are better than long lasting effects due to gaps in employment careers. Until now, the employment chances for North Korean defectors in South Korea are poor. However, in the long term South Korea is exposed to the risk of an ageing workforce caused by the low birth rate. Young North Koreans are in principle a great potential to cushion the consequences of demographic change on the South Korean economy as it could improve the age structure of the employees. Not at least this would relieve the North Korean labour market. To make this possible, the education system needs to be opened for North Koreans more than in the past. In addition, it may be necessary to counteract the adverse effects of selective migration. Disproportionate migration of East German women to the West after the reunification partly led to a lack of women in rural areas, because women, despite higher average degrees, experienced greater difficulties than men on their career start. Such developments need to be identified early in order to improve local integration opportunities with special measures. The South Korean companies would also be required to undergo adjustment processes in order to integrate people socialized in North Korea into existing structures. Qualification and professional support for the social integration can help to improve the chances of success.

The transfer of institutions and formal regulations during the transformation goes fast; on the other hand, the acquisition of appropriate orientations by the people takes a lot of time, since old structures continue to have long lasting effects. In addition, the economic development is hardly predictable. Accordingly, the process of alignment will take a long time, and some differences remain in place for ever. The population must be included in this process; however promises that cannot be met raise false hopes and lead to disappointment.

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Entrepreneurship in the East German Transition Process: Lessons for the Korean Peninsula

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Abstract: *»Unternehmerische Selbständigkeit im ostdeutschen Transformationsprozess und Implikationen für Korea«.* This paper summarizes the role of entrepreneurship in the East German transformation process that followed the breakdown of the socialist regime and subsequent unification with West Germany. The main aim of this exercise is to derive conclusions and recommendations for a potential unification of the Korean Peninsula. We demonstrate that the formation of new businesses played a significant role, while efforts to adapt formerly state-owned firms were much less successful. In East Germany, newly emerging firms created the major share of employment opportunities, while incumbent socialist firms shed vast amounts of labor or disappeared completely. The main implication for a potential unification of the Korean Peninsula is that policy should have a special focus on entrepreneurship. In particular, it should try to utilize and strengthen the entrepreneurial abilities of the North Korean population and to create favorable conditions for the emergence of prospering new businesses.

Keywords: Entrepreneurship, transformation, East Germany, Korea.

1. Aims and Scope¹

Theory, as well as empirical evidence, suggests that entrepreneurship is a key driver of development.² This may particularly hold true for disruptive changes of the institutional framework like the shock transformation of the East German economy from a socialist system to a market economy (Brezinski and Fritsch 1995). While the socialist regime of the German Democratic Republic (GDR)

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² See Fritsch (2013) for a detailed exposition.

made great efforts to make private firms³ go extinct, the sudden freedom to set up an own business has led to a start-up boom. After a number of years, self-employment in East Germany reached and then exceeded the West German level.

This paper summarizes the role of entrepreneurship in the East German transformation process that followed the breakdown of the socialist regime and subsequent unification with West Germany. The main aim of this exercise is to derive conclusions and recommendations for a potential unification of the Korean Peninsula.⁴ We demonstrate that new business formation – “bottom-up” transformation – has played a rather significant role, while “top-down” transformation, i.e., the adaptation of the formerly state-owned firms to the new framework conditions, was much less successful. In the transformation process of East Germany, newly emerging firms created the bulk share of jobs, while incumbent socialist firms shed vast amounts of labor or they disappeared completely. The main implication for a potential unification of the Korean Peninsula is that policy should have a strong focus on entrepreneurship. In particular, it should try to utilize and strengthen the entrepreneurial abilities and initiatives of the North Korean population and to create favorable conditions for the emergence of prospering new businesses.

Section 2 offers an overview of the challenges that incumbent socialist enterprises faced during the transition to a market economy and document the development of these firms over the course of the transition. Section 3 deals with the development of entrepreneurship in East Germany since the fall of the Berlin Wall in the year 1989. In particular, we analyze the individual characteristics of the new East German entrepreneurs as well as reasons for the considerable differences in new business formation that can be observed. Based on the empirical evidence of the East German case we then discuss implications for a potential unification of the two Koreas in section 4. Section 5 summarizes our main arguments and draws conclusions.

2. The Shock Transformation and its Effects on Socialist Enterprises

2.1 The Transition Shock in Detail

The East German transition process to a western-type market economy system was marked by three main steps (for details see Brezinski and Fritsch 1995):

³ There were manifold attempts by the socialist regime to eradicate and crowd out entrepreneurial initiative and self-employment. The few remaining self-employed people were heavily regulated (Pickel 1992; Thomas 1996).

⁴ Our particular focus on firm demography complements previous work on implications of the German re-unification process for the Korean Peninsula (Henke 2014).

- Increased competition due to the opening of the border in November 1989.
- Currency union between East and West Germany introduced on July 1, 1990.
- An abrupt change of the formal institutional framework that came with German unification on October 3, 1990.

It is quite likely that these three stages will also play an important role in the potential case of a unification of the Korean Peninsula (see Section 4).

2.1.1 Competition Shock and Currency Union

One of the key challenges for incumbent East German enterprises began with the opening of the inner German border in November 1989. Suddenly, East German firms that were used to a comfortable position of serving seller's markets found themselves in direct competition with a diversified supply of high quality products from Western firms that attracted considerable demand of the population. Since GDR labor productivity was only about 30 percent of the West German level (Mallok 1996; van Ark 1995), East German firms could only remain competitive with much lower wages. Another severe problem was that most of the East German firms' products were of comparatively low quality and appeared outdated. Hence, significant product innovation became a key issue.

The competition with Western firms became particularly intensive in the aftermath of the currency union that was introduced on July 1, 1990. Due to the chosen exchange rate of 1:1 between the East and West German Mark, along with generous collective labor agreements, East German wages rose between 1989 and 1990 by about 500 percent (wage shock) (Sinn and Sinn 1992). The wage level increased in subsequent years while labor productivity did not rise at a corresponding rate. As a consequence, East German firms were hardly competitive resulting in a massive employment decline. This development was accompanied by a sharp reduction in demand of often long-term customers from other former socialist countries that could hardly afford East German products anymore because the German currency union implied a drastic change of the terms of trade. Many former customers substituted East German products with cheaper ones that were now freely available on the world market.

Another important challenge for East German firms was the increased availability of raw materials and intermediate goods that created a supply shock (Brezinski and Fritsch 1995). Most firms in the centrally planned socialist economy had a rather high degree of vertical integration in order to be less vulnerable to shortfalls of supply and misallocations. With the introduction of the market economy many internal stages of production became unprofitable since intermediate goods of often considerably higher quality could be bought much cheaper on the market. The improved availability of inputs induced a sharp decrease of the vertical integration leading to further employment losses.

At the same time, introduction of modern and more efficient production technologies further reduced the demand for labor (for details, see Mallok 1996).

Finally, East German firms played a relatively minor role in the national innovation system. Similar to most socialist countries, basic research and the largest part of applied research and development (R&D) were conducted in National Academies of Science and in the universities. As a consequence, many socialist firms had a rather low absorptive capacity and were often quite hesitant to adopt the research results of these external institutions. Another reason for the relatively low level of R&D in East German firms was the East German policy that emphasized reconstructing heavy industries directly after World War II, a task that did not require much scientific input. Later on, the demand for innovative products remained relatively low since most efforts were focused on meeting actual production plans in the face of growing international isolation and constantly decreasing competitiveness (for further details, see Mayntz 1998).

2.1.2 The Abrupt Change of the Formal Institutional Framework

German reunification occurred on October 3, 1990, and was accompanied by the complete transfer to East Germany of the ready-made formal institutional framework of the West German state, the Federal Republic of Germany (FRG). This shock-like institutional transition constitutes the main difference between German reunification and the developments in other former socialist East European countries where changes took place much more gradually (Hall and Ludwig 1995; Brezinski and Fritsch 1995). Since many of the new laws and regulations were entirely different from those of the socialist GDR, adapting to the new “rules of the game” was an enormous challenge for the people and firms of East Germany. The adoption of the West German institutional framework included a rather significant reorganization of the innovation system, particularly in the field of public research (for details, see Guenther 2014).

All these developments of the transition process implied a severe mental shock for the East German population. The new system required a much higher level of self-initiative and flexibility. Under the new conditions, many of the organizational routines and structures that enterprises had developed under the socialist regime became obsolete if not detrimental. Even qualifications, work experience and knowledge that had been acquired by members of the workforce in the old system, became obsolete and were of much less economic value (see also Bird et al. 1994; Gathmann 2005; Hitchens, Wagner and Birnie 1992; Wyrwich 2013). Therefore, adapting existing structures, developing new routines and acquiring new job skills was one of the key challenges for former socialist enterprises and its labor force (for details, see Fritsch and Mallok 1998; Newman 2000).

2.2 How Policy Tried to Assist

New policy measures were created in an effort to support firms in coping with the enormous challenges of the transformation process. One main focus was the conversion of state-owned firms (that comprised the vast majority of employees) into private ones. The restructuring and privatization of the state-owned companies was carried out by a privatization agency (THA, *Treuhandanstalt*), which was created by the government in March 1990 approximately six months before reunification (for details regarding the organizational structure of the THA, see Seibel 2005). The THA became the owner of all previously state-owned companies consisting of about 8,000 firms with more than 45,000 establishments in total. In the course of restructuring procedures the number of firms grew to ca. 14,600. The main strategy of the THA was rapidly restructuring and selling their firm portfolio to private investors who had to develop restructuring and investment plans for the acquired firms. The THA was dissolved by the end of 1994. Around this time, the bulk share of firms was either closed down or sold to West German and international investors. Only 20 percent of the firms were privatized via management buy-outs (MBO) through executive employees.⁵

With the German unification on October 3, 1990, East Germany automatically became a member of the European Union and was therefore eligible for regional assistance. Main instruments of regional policy for firms at that time were investment subsidies that enabled them to modernize their equipment. While some observers expected that the implementation of up-to-date machinery would more or less automatically enable East German firms to catch up with the West German productivity level (Sinn and Sinn 1992), the effect of a modernized capital stock turned out to be much less pronounced (Mallok 1996; Fritsch and Mallok 2002). A main bottleneck for a catch-up of East German firms that could not be tackled with investment subsidies was management know-how, particularly with regard to selecting and using modern machinery in a way that it unfolds its productivity. Other main fields of supporting policies were the reconstruction and modernization of the physical infrastructure that the socialist regime had left in rather bad shape, as well as the transformation of the education and research sector and its integration into the innovation system of the re-united Germany.

It is rather remarkable that new business formation was not a focus of policy in the early years of the transition process. Significant policy attempts to stimulate and support the emergence of new businesses in Germany, and East Germany in particular, emerged only after the year 2000.

⁵ For details, see Leysen (1991), Brezinski (1992), Sinn and Sinn (1992), Carlin (1993), Brücker (1995), Sander (1995), and MacLean et al. (2003).

2.3 The Development of Incumbent Enterprises over the Course of Transition

Due to the developments described above, the industrial output of the East German economy in the year 1991 was only about 35 percent of the initial level of 1989 (Hall and Ludwig 1995). Burda and Hunt (2001) characterize the development of the East German economy in the early 1990s as the most severe economic dislocation in peace time in the 20th century. The unemployment rate, that was virtually zero in 1989, grew to 15 percent in the year 1992. The bulk share of former socialist enterprises was unable to cope with new challenges and had to be closed down, others were split up and privatized. After a few years, the employment share of these firms was rather minor (Brücker 1995; Bellmann et al. 2003; Wahse et al. 1995). Despite the high investment of public subsidies in modern production facilities and equipment, productivity growth of the East German economy was rather moderate (for details see Mallok 1996). Even more than two decades after the fall of the Berlin Wall there is still a pronounced East-West German productivity gap of about 25-30 percent (IWH 2010; Mattes et al. 2015).

The experience of the East German transition process demonstrates that the opportunities for a successful “top-down” transformation are somewhat limited. One might argue that the relatively poor performance of top-down transformation in East Germany might be due to the shock-like character of the transition process. However, incumbent enterprises in those East European countries that transformed more gradually did not perform significantly better after the dissolution of socialism. In those countries, slow privatization and, particularly, an inappropriate framework of formal institutions turned out to be a severe impediment to a fast recovery.⁶

Against this background, one can expect that attempts to transform state-owned enterprises in North Korea will face massive problems as well, and might have only rather limited success. Therefore, using a bottom-up approach for the transition process, namely encouraging the emergence of new firms, is likely to meet with greater success.

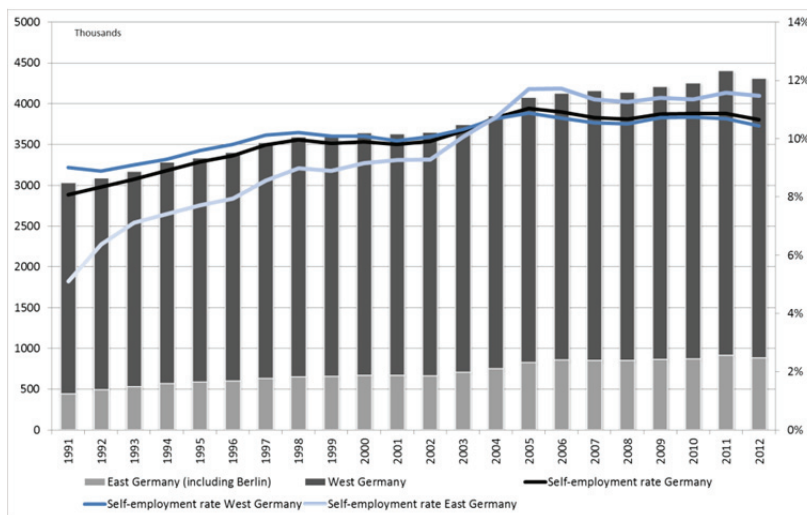
⁶ For details see Myant and Drahokoupil (2011) and the contributions in Aslund and Djankov (2014).

3. Entrepreneurship and New Business Formation in the East German Transition Process

3.1 Self-Employment in the GDR and after Reunification

At the advent of the GDR regime in September 1989 there were around 185,000 self-employed persons in East Germany including helping family members. The self-employment rate was about 1.8 percent among the working age population (18 to 65 years). Around the same time, the self-employment rate in West Germany was about 10 percent (Figure 1).⁷ Self-employment was restricted to a few sectors and was heavily regulated. Most of the business owners were active in handicrafts and manufacturing trades (e.g., bakers, butchers, car repair) or were free professionals (e.g., medical doctors) (for details, see Pickel 1992).

Figure1: The Development of Self-Employment in East and West Germany, 1991-2012



In the course of the transition process, the framework conditions for entrepreneurship and the incentives for becoming self-employed changed tremendously. Particularly, the switch to the institutions of a modern western-type market economy in East Germany implied a massive start-up boom (Fritsch et al.

⁷ Own calculations based on the German micro census (for details, see Fritsch, Kritikos and Rusakova 2012).

2014). One of the explanations for this surge in entrepreneurship was the enormous backlog of demand for high-quality products and for services that were in short supply under the socialist planned economy. The low number of suppliers in East Germany created a “window of opportunity” for starting a firm, which is also reflected in relatively high survival chances and growth rates of firms that were founded in the early 1990s (e.g., Brixy and Kohaut 1999; Almus 2002; Fritsch 2004). A further explanation for the rise of start-up activity is that self-employment became an alternative to unemployment which rose rapidly in the aftermath of transition. Last but not least, massive public investments in infrastructure induced a particularly large number of new businesses in the construction industries during these years (e.g., Bellmann et al. 2003).

East German start-ups in the early stage of the transition process faced a broad range of special impediments. Due to low incomes in the socialist GDR regime and low incentives for savings, founders had little equity. Another problem was that unclear ownership of land and buildings led to shortages in the availability of floor space. Moreover, the functioning and efficiency of the public administration was rather limited due to fundamental restructuring and the implementation of new routines. Last but not least, social acceptance of entrepreneurs tended to be considerably lower than in the West (Thomas 1996).

The level of firm dynamics as reflected by the level of market entries and exits decreased over the course of the 1990s. Nevertheless, the level of self-employment rose steadily, approaching the West German level around the year 2004 and thereafter exceeding this level (Figure 1).

3.2 How to Explain the Increase of Entrepreneurship in East Germany?

Given the more than four decades of a socialist regime with its massive anti-entrepreneurial policy and indoctrination of the population, the rise of self-employment in East Germany to the West German level within just a few years is quite remarkable. Having lived under a socialist regime, most GDR citizens had nearly no experience with a market economy and lacked knowledge of how to run an entrepreneurial venture. Furthermore, GDR propaganda had condemned entrepreneurship as a bourgeois anachronism and in that way triggered a mentality at odds with entrepreneurship.

One explanation for the swift re-emergence of self-employment in East Germany can be based on William Baumol’s (1990) hypothesis that the share of entrepreneurial people in a country is quite constant over time independent of the institutional regime and the economic system. However, the way in which entrepreneurial talent is applied may considerably differ according to the institutional context. Baumol (1990) argues that the way people make use of their entrepreneurial talent is strongly shaped by the ruling institutions, the “rules of the game,” as well as the prevailing norms and values (North 1994).

He classifies self-employment as an economically “productive” form of entrepreneurship, while other forms of entrepreneurial behavior such as rent-seeking activities, tax evasion and crime are rather “unproductive” or even “destructive.” This means that in a socialist system that makes strong efforts to suppress private sector economic activity, the same people that would be self-employed in a market economy may find it more rewarding to use their entrepreneurial talent by acting as managers of socialist enterprises, by engagement in socialist mass organizations or in black market activity. Accordingly, the start-up boom in East Germany could be explained by the fact that it is much easier for entrepreneurial people to unfold their abilities and ambitions by starting their own business in a market economy than under socialism.

Support for Baumol’s hypothesis is also provided by examples from other East European countries where many people that had leading positions in socialist firms and organizations started an own business when the system developed towards a market economy (e.g., Hisrich and Grachev 1993; Rona-Tas 1994; Stoica 2004). Self-employment might have been a viable career option for these people in socialism if the institutional framework conditions would have been more favorable for self-employment. However, under a socialist regime it was more rewarding to act out one’s entrepreneurial talent through rent-seeking in leading positions of socialist mass organizations. Thus, the observed empirical patterns confirm Baumol’s hypothesis that institutions determine how people make use of their entrepreneurial talent. Hisrich and Grachev (1993) vividly demonstrate that in the Soviet Union a considerable level of entrepreneurial talent existed and could only be applied in the shadow economy because private firms were illegal.

An implication of Baumol’s hypothesis is that self-employed people in East and West Germany should have quite similar characteristics. Empirical analyses of East and West German entrepreneurs show that they are indeed rather comparable with regard to age, gender, educational attainments as well as personality traits (for details see Fritsch et al. 2014). An East German peculiarity is the lower prevalence of entrepreneurship among older people. This can be explained by a comparatively stronger effect of the policies of the socialist regime on the perception of entrepreneurship for those people that had experienced this anti-entrepreneurial environment for a relatively long period of time. Moreover, it can be assumed that people with a relatively long period of work experience in the socialist system faced a particularly strong devaluation of their acquired knowledge under the new framework conditions and that this work experience was of little help for recognizing and pursuing entrepreneurial opportunities (Wyrwich 2013; Wyrwich et al. 2016).⁸

⁸ Occupational and industrial experience are key determinants for the detection of entrepreneurial opportunities.

A main difference between East and West German businesses, even more than two decades after the unification, is that East German firms tend to be of a considerably smaller size. Large firms are rather rare and quite a number of East German establishments are subsidiaries of West German or international companies. An obvious reason for the on average smaller size of East German firms is that many of them are not very competitive, which is reflected in their comparatively low level of productivity and lower chances of survival (Fackler 2014). Possible explanations for this weakness of East German firms are unfavorable economic framework conditions, as well as a lack of managerial and entrepreneurial skills among East German founders. In this respect, Wyrwich (2010) shows that the likelihood of achieving growth is higher among those East German firms where West German co-founders play a significant role. Furthermore, East German firms tend to have a stronger focus on regional markets while their export orientation is relatively low (IWH 2010; Mattes et al. 2015).

3.3 Regional Differences of Start-Up Activity in East Germany after Transition

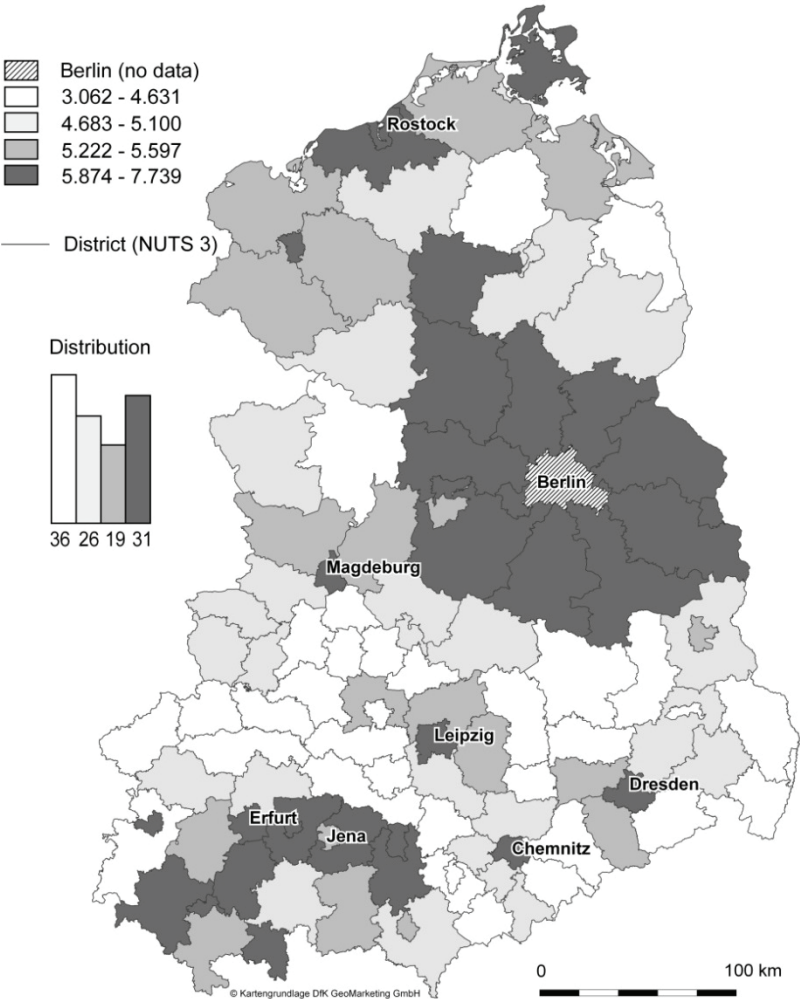
There is significant spatial variation in the level of new business formation and self-employment in East Germany. Relatively high start-up rates are found in the regions adjacent to Berlin, in the broader areas of other larger cities like Dresden, Chemnitz, Leipzig, Magdeburg and Rostock, as well as in a stripe that connects the main cities of Thuringia including Erfurt and Jena (Figure 2). Start-up rates have been relatively low in many rural areas and in those places that have been heavily shaped by socialist economic policies like Hoyerswerda (heavy investments in lignite-coal mining and energy) and Bitterfeld (concentration of the chemical industry). The coastal regions of East Germany had relatively high levels of new firm formation in the tourism industry.

An important finding of our empirical analyses is a strong persistence of regional differences of entrepreneurship over time. There is a significant positive relationship between current levels of new business formation and the share of self-employed people in the mid-1920s, as well as with the share of self-employed just before the fall of the Berlin Wall (for details, see Wyrwich 2012; Fritsch and Wyrwich 2014). Regions with a pre-socialist entrepreneurial tradition are those with relatively strong remnants of self-employment during the socialist regime. Entrepreneurial tradition also has a positive effect on the level of start-up activity after transition. Altogether, regional differences in start-up activity show a considerable level of path-dependence that could not be completely destroyed by the anti-entrepreneurial socialist policies.⁹ It is important to notice that regions with an entrepreneurial tradition in pre-socialist times

⁹ There is also persistence of spatial differences in start-up activity in West Germany (Fritsch and Wyrwich 2014).

were apparently well able to cope with the challenges of the transition process showing relatively high levels of GDP growth (Kawka 2007). A similar pattern can be found in West Germany where historically high levels of self-employment are positively related to economic growth in recent periods (Fritsch and Wyrwich 2016).

Figure 2: Average Number of Start-Ups between 1990 und 2008 per 1,000 Inhabitants Aged between 18 and 64 Years



The persistence of new business formation and self-employment suggests the prevalence of a regionally embedded culture of entrepreneurship that survived severe historical shocks like World War II, forty years of an anti-entrepreneurial socialist system, and the regime switch to a market economy (Fritsch et al. 2014; Fritsch and Wyrwich 2014). Entrepreneurial culture can be understood as an orientation of the population toward entrepreneurial values such as individualism, independence and achievement (e.g., McClelland 1961; Hofstede and McCrae 2008). It is marked by norms and values in favor of entrepreneurship as well as by high legitimacy and social acceptance of entrepreneurial behavior (e.g., Etzioni 1987; Kibler et al. 2014).

The evidence of the German case strongly suggests that an entrepreneurial culture is conducive to economic growth and constitutes an important regional asset in coping with the problems of economic transition. Altogether, the findings are in line with the prominent hypothesis advocated by institutional economists that informal institutions such as norms, codes of behavior, and culture are much more persistent over time than formal institutions, which may change overnight as observed in the case of German re-unification (North 1994; Williamson 2000).

3.4 Preliminary Conclusions

There is compelling evidence that institutional framework conditions play a crucial role in determining the level of productive entrepreneurship, such as start-up activity. Further important factors that are conducive to successful self-employment are the experiences and skills of the local population, as well as the prevalence of a regional entrepreneurship culture. There are remarkable similarities with respect to individual characteristics of firm founders in East and West Germany, but also a number of differences that can be explained by the socialist legacy of East Germany. Despite these differences, the average level of self-employment in East Germany reached the level of the western part of the country in a relatively short period of time while significant regional differences within both East and West Germany persist.

4. Implications of the East German Experience for the Korean Context

4.1 Basic Trends of Firm Demography

The East German transition process that began in the years 1989/90 was marked by three basic trends:

- Most of the former socialist state-owned enterprises were unable to cope with the challenges of transition and had to sharply reduce employment or were closed down.
- Newly founded firms played a key role in the transition process and contributed positively to economic development.
- Many East German founders as well as managers of incumbent enterprises already had leading positions in the socialist system.

Based on this evidence, we expect that these trends will also play a crucial role in the case of a potential unification of North and South Korea. New business formation will likely play an important role since North Korean incumbent firms will probably face even more severe difficulties in coping with the challenges of transition than those faced by the state-owned companies during the transition process in East Germany. The inability of socialist firms to cope with the transition to a market economy also holds true for other East European countries where the changes occurred much less rapidly than in the former GDR (Djankov 2014; Myant and Drahokoupi, 2011). Although the available information about the industrial structure and the productivity of the North Korean economy are relatively sparse (for an overview about regional industrial structures, see Dormels 2015), it is quite likely that the productivity gap between North and South Korea today is considerably larger than the backlog of East German firms in 1989/90. Compared to other East European countries, productivity of the GDR economy was, indeed, relatively high.¹⁰

If there is a unification of the Korean Peninsula, North Korean firms would need to modernize their product portfolio and production technologies tremendously in order to cope with the challenges of market integration. Since most of the capital stock of North Korean firms is deteriorated and obsolete, heavy investment into modern machinery and equipment is clearly warranted. However, the East German experience clearly shows that financial subsidies for investment in new machinery are insufficient for creating a significant increase in productivity (Fritsch and Mallok 2002). It is perhaps even more important to draw on external expertise when implementing new machinery and production

¹⁰ It is quite interesting that West German experts overestimated the situation in the East German economy in the late 1980s despite a relative abundance of data. The German Institute for Economics Research (DIW), for example, estimated that the productivity of the GDR economy was about ca. 45 to 55 percent of the West German level (Görzig and Gornig 1991), while van Ark (1995, 1997) estimations based on information of East German Statistical Offices yielded a productivity level of about 30 percent. There is no internationally comparable data available on labor productivity for other Eastern European countries. However, in 1995 productivity in the industrial sector was below 30 percent of the EU level for all Central Eastern European countries (Bijsterbosch and Kolasa 2009). It is rather likely that the figures in the 1990s already include a significant catch-up in productivity. For a detailed analysis of the cases of the Czech Republic and Hungary in the early 1990s see Hitchens et al. (1995).

technologies, to provide training and coaching of employees on how to use the new technologies efficiently, as well as on how to manage firms under the conditions of a market economy. Such a comprehensive knowledge transfer could be obtained by sending South Korean and international experts to North Korea. Another approach to the necessary knowledge transfer could be the acquisition of North Korean firms by South Korean and foreign companies.

The massive problems that are to be expected when transforming incumbent socialist firms call for policy measures that focus on new business formation. In this regard, it is important to distinguish between firms started by North Korean citizens and new subsidiaries established by firms from South Korea and other countries. As in the case of East Germany and other East European transition countries, the economic and functional elites of the communist regime can play a vital role as managers and entrepreneurs in a transforming North Korean economy (see also Best and Vogel 2016, as well as Martens 2016, both in this HSR Forum). Hence, attempts to marginalize these groups of people would hamper economic development because this would leave their knowledge and talent unused. For the same reason, a complete substitution of the managers of incumbent North Korean firms is not advisable. The East German experience also demonstrated that such a massive change in the management structure would hardly be possible since there was only a small share of qualified West Germans that were willing to assume management positions in Eastern firms beyond short term engagements.¹¹ However, if former North Korean managers remain in the firms after transition, then it is crucial to also attract new external managers in order to ‘inject’ new knowledge required for realizing the necessary adjustment of organizational structure and routines, as well as to implement rapid changes of product portfolios and production technologies.

Altogether, it is very likely that after the initial stages of transition, adjustment processes will continue for an extended period of time regardless of whether the transition process is radical or gradual. Therefore, the North Korean economy will be in long-term need of specific support.

4.2 General Prerequisites of a Successful Transition of North Korea

What might a transition policy in the case of a peaceful unification of the Korean Peninsula look like? What should be a main focus of such a policy?

The most important prerequisite for a successful transition is the existence of clear and appropriate institutional framework conditions. It can be expected that, as in the case of German unification, the formal institutions of a transformed North Korea will be based on the formal institutions of the South (for a

¹¹ These factors are potential reasons why management positions of many of the surviving East German incumbent firms were held by individuals who maintained similar roles during socialist times (e.g. Martens 2005).

further discussion of models of economic integration in Korea, see Yang 2014). It may, of course, be reasonable to have temporary special regulations in the North as well.¹²

Regardless of whether or not institutional changes take place in a shock-like manner as in the case of Germany, it is crucial to settle the regulation of property rights from the very beginning. In this regard, there are mainly two problems. Namely, the privatization of incumbent firms and restitution claims of expropriated firm owners. In East Germany, investigating and verifying restitution claims was quite a lengthy process that, in many cases, led to delays in the restructuring of firms.¹³ The restitution policy also turned out to be problematic because not all of the former owners and their inheritors had appropriate concepts for successfully restructuring the claimed businesses. As a reaction to these problems the German government later adopted an “investment-plan-first” policy. According to this policy firms were not restituted to former owners if another investor had a more compelling strategy and investment plan for restructuring the firm. In these cases former owners were financially compensated.¹⁴ Based on these experiences we believe that implementing an “investment-plan-first” policy right from the beginning would be conducive for accelerating the conversion of the former socialist firms. Restitution should play only a rather minor role.

Another bottleneck in the East German transition was the massive capital demand to modernize former state-owned enterprises and to launch new firms. Due to the poor economic conditions of the socialist system and low incentives for savings, the required capital could hardly be obtained from East German sources. Most presumably this will also apply to the case of North Korea. In order to attract the necessary capital it may be important to provide reasonable access for international investors.

Since a transformation of the North Korean economy involves radical innovation in many regards, there is presumably a tremendous need for increasing R&D activities, particularly in firms. In this regard, a more or less complete reorganization of the country’s innovation system may be required. The available information on science and technology illustrates its negligible role in the current North Korean economy (Frank et al. 2012, ch. 5.5.).

Investment in physical infrastructure (e.g., streets, railways, and telecommunication) plays an important role for firms to obtain access to extra-regional and international markets. Last but not least, courses in management and business administration should be part of the curricula of schools, universities and

¹² It might be worthwhile to investigate whether or not there are rules in North Korea that could be also useful in South Korea.

¹³ These problems of restitution in the privatization process are also vividly described by Blacksell et al. (1996).

¹⁴ For details on the law dealing with restitution claims, see Shingleton et al. (1991).

also in on-the-job training programs in order to familiarize employees, especially those in leading positions, with the requirements of managing and running a company in a market economy.

4.3 Policy Options to Support Incumbent Enterprises

With regard to incumbent socialist enterprises it is of primary importance to investigate whether or not restructuring is a viable option. In quite a number of cases, the costs of adjusting organizational structures and production technologies may be much higher than the benefits of artificially keeping the enterprises alive. In the case of East Germany, the public privatization agency, THA, conducted an *ex ante* rating of single firms with respect to the chances of successful restructuring (for details, see Treuhand-Dokumentation 1994). A similar procedure could be fruitful in the case of a North Korean transition in order to identify firms that have sufficient capabilities to manage a successful transition. After such an evaluation, policy measures should focus on supporting these promising incumbent firms in the adaptation their organizational structures and routines, modernization of production technologies and mastery of a functional integration into the Korean market economy and international value chains. Any such efforts require the involvement of external experts that have experience with restructuring and privatization.

In the case of East Germany, the number of qualified personnel and external advisors that could be attracted for such a task varied across industries. One major obstacle was that candidates for such a position feared that a temporary engagement in East Germany could be harmful for their future careers. For this reason many employees of the privatization agency were either relatively young (which came along with a lack of industry experience), or relatively old. Actors in the middle of their careers could hardly be attracted to engage in the privatization process (for details, see Seibel 2005, 171-85). Based on this experience it is crucial to create an incentive system that makes it attractive for experts and mid-career managers to get involved in the privatization of North Korean companies. At the same time, there should be incentives for South Korean companies to allow their employees temporary leaves in order to engage in the North Korean transition process.

When designing respective policy measures, it is critical to take into account several conflicts of interest. On the one hand, policy makers are interested in a prospering North Korean economy. On the other hand, the same policy makers depend, to some degree, on the goodwill of the South Korean elites who are not necessarily interested in the emergence of potential North Korean competitors over the course of an economically successful transition. Attracting direct foreign investment and being open to an engagement of foreign companies could be suitable approaches to counter these types of conflicts (for details

regarding the current international integration of the South Korean economy see Eichengreen et al. 2012).

There are different measures to enhance competitiveness and capabilities of incumbent firms. However, it would be misleading to expect too much from restructuring these firms since it is very likely that many of them can hardly be made profitable at plausible costs. A sustainable economic development of North Korea cannot only rely on transforming former state-owned enterprises. It is probably much more important to promote entrepreneurship in order to achieve growth.

4.4 Promoting New Firm Formation and Entrepreneurship

The experience from the German transition demonstrates that formal institutions play a pivotal role in new firm formation. Therefore, just as the design of the institutional framework is of crucial importance for the level of productive entrepreneurship in North Korea today, any new design in a unified Korea will continue to be decisive. If the Korean Peninsula undergoes a reunification and subsequent transition process similar to that experienced in Germany, it can be expected that the formal institutions of South Korea will be introduced in the northern part of the unified country. Hence, the question how “entrepreneurship-friendly” are South Korea’s existing formal institutions becomes most relevant. Will South Korea’s current institutional framework support a bottom-up transformation of the North Korean economy?

The most recent country report of the Global Entrepreneurship Monitor (GEM) classifies South Korea as entrepreneurship-facilitating because of the availability and quality of physical infrastructures (e.g., industrial real estate, telecommunication, and transportation), cultural and social norms and values and low market entry barriers. Entrepreneurship-inhibiting factors include a lack of financial support for start-ups, little entrepreneurship education in schools and universities and poor availability of services that support entrepreneurial activity such as coaching, legal advice, and accounting (GEM 2013).

South Korea is assigned to the group of innovation-driven economies which are characterized by high shares of the gross domestic product (GDP) spent for R&D. Comparisons of the level of start-up activities with other innovation-driven economies shows South Korea in the lower ranks (GEM 2014, 35). According to the Global Entrepreneurship and Development Index (GEDI) (see Acs, Szerb, and Autio 2016) Korea ranks rather high in human capital and innovation but relatively low with regard to competition and internationalization.

It is not sufficient for policy measures to simply implement entrepreneurship-friendly laws and regulations that aims at fostering new business formation (policy layer); it must also try to stimulate a culture of entrepreneurship that is characterized by widespread acceptance of self-employment in the population (normative-cognitive layer). Measures at the policy layer are:

- *Entrepreneurship-friendly laws and regulations* which reduce barriers and obstacles hampering new firm creation. Examples are avoidance of unnecessary market entry barriers as well as developing an insolvency law tuned to the needs of young firms.
- *A clear-cut definition of property rights*. In East Germany, for example, new firms in the early stage of transition faced the problem of finding production sites since property rights of real estate were unclear.
- Development of *an entrepreneurship facilitating supporting network* like the creation of service centers for start-ups (e.g., coaching, incubators, business angels network) but also availability and provision of venture capital.

In the case of North Korea it is safe to assume that there is an enormous need for action with respect to establishing entrepreneurship-facilitating framework conditions. Therefore, start-up coaching and the establishment of supporting networks should be given a high priority. Founders can be supported by offering training in the “classical” aspects of managing an entrepreneurial venture (e.g., business strategy, marketing, finance), as well as offering courses on general economic principles and the functioning of a market economy.

Measures addressing the *normative cognitive layer* represent an important building bloc of a comprehensive entrepreneurship policy approach while also complementing policies focused on formal regulations. Promoting the social acceptance of the market economy system and entrepreneurship is one such complementary initiative. Another example includes measures to develop entrepreneurial values (e.g., strive for independence, willingness to assume risks) among the population.¹⁵ The transition experience in East Germany and Eastern Europe shows that lacking social acceptance of entrepreneurship was a severe stumbling block for the development of a vital private sector in the first years of transition. The effects of the socialist legacy on norms and values can persist despite radical changes in the formal institutional framework and can influence the effectiveness of new legislation (for details, see also Grusevaja 2005). These experiences teach us that even the most entrepreneurship-facilitating framework of formal institutions can be undermined if these are not backed up by measures that aim at promoting entrepreneurial values among the population.

One way to stimulate social acceptance of entrepreneurship is by boosting the effectiveness of entrepreneurial role models. The empirical evidence shows that social contact with entrepreneurs has a positive effect on the choice of self-employment as an occupation (Bosma et al. 2012). The underlying mechanisms are (1) a demonstration effect and (2) a peer effect. Observing successful entrepreneurs in the social/local environment fosters learning about entrepreneurial

¹⁵ For further material on the psychological challenges of transition, see Silbereisen (2016, in this HSR Forum).

tasks and capabilities. At the same time, having entrepreneurial peers increases the likelihood of perceiving entrepreneurship as a viable career option. Since entrepreneurial role models play such an important role, the effectiveness of policy programs to enhance entrepreneurial skills and capabilities (e.g., business plan competitions) should increase with the presence of successful entrepreneurs.

Another way of fostering social acceptance of entrepreneurs is the portrayal of successful entrepreneurs in the media. In areas where such role models are lacking it might be helpful to reference local entrepreneurial role models from the past, if available. Furthermore, policy measures addressing the normative cognitive layer should be tailored to region-specific needs. In areas where social acceptance of entrepreneurship is already relatively high fewer efforts are required than in places that have a lack thereof.¹⁶ Whether this is the case in North Korea is an open because of the increasing number of small traders and the emergence of a “marketplace economy” (jangmadang economy) that began in the mid-1990s. These developments might be helpful in establishing social acceptance of entrepreneurial behavior after a regime switch. However, a fair amount of these private sector activities in North Korea are obviously associated with the “personal enrichment of the upper classes” (Park and Choi 2014, 49-54). This may hamper social acceptance of entrepreneurship in the general population.¹⁷

For the North Korean economy as a whole, it is crucial to establish clear institutional rules, entrepreneurship-friendly laws for trade and commerce, as well as an appropriate design for industrial and labor relations. In this respect, it might make sense to create special rules for new firms (e.g., with regard to labor regulation). Education policies can play their part by integrating entrepreneurship education in school and university curricula. Another important building bloc is ensuring the availability of financial resources.

It is important that entrepreneurship policy has a clear regional focus. Any measure should be tailored according to region-specific needs.¹⁸ One crucial regional factor that should be considered is the socio-demographic composition of the local population with regard to age, qualification, and employment histo-

¹⁶ Since the population in the special economic areas of North Korea (e.g., Kaesong, Kumgang-San) already has direct contact with South Korean private sector companies, it is likely that that the social acceptance of a market economy and of entrepreneurship in these regions is relatively high as compared to other parts of the country.

¹⁷ Apart from small traders, there are a lot of informal food-related household economic activities such as gardening and raising live stocks. In accordance to recent population censuses, 84 percent of all North Koreans above the age of 16 years are involved in such activities (Lee 2014).

¹⁸ For a more detailed exposition of the advantages of decentralized policy-making based on evidence from the East German transformation process, see Holtmann and Rademacher (2016, in this HSR Forum).

ry. It is likely that older working age people will find it particularly difficult to adopt an entrepreneurial attitude. Empirical evidence from East Germany (Wyrwich 2013) shows that even 15 years after German re-unification older East Germans are less likely to be self-employed when compared to their West German peers. This pattern can be explained by both the effect of socialism on one's mind-set and a devaluation of labor market experience acquired in socialism. According to these results, one should expect that North Korean regions with a relatively high share of older people will exhibit a relatively low level of entrepreneurship. North Korean regions may also have different initial economic conditions that may influence the level and scope of entrepreneurial activities. There are indeed significant differences in living standards between Pyongyang and other North Korean provinces (e.g., Lee 2012).

Similar to the developments in East Germany (Fritsch et al. 2014), it is likely that those North Korean regions with a pre-socialist tradition in entrepreneurship will have an above-average level of start-up activity if there is further liberalization of private sector economic activity. It is also likely that these regions will master the transition challenge comparatively well. Nevertheless, due to the pronounced communist indoctrination in North Korea it is unclear how strong the effect of potential entrepreneurship culture pre-dating communism might still be.

5. Concluding Remarks: The Main Policy Lessons

Our paper draws on the experiences and knowledge gained from the transition processes that occurred in East Germany after the reunification of East and West Germany and applies them to what might be expected in North Korea if the Korean Peninsula undergoes a similar reunification. The example of post-transition East Germany clearly shows that industrial restructuring over the course of transition from a socialist centrally planned economy towards a market economy depends especially on new firm formation. The role of restructured former state-owned enterprises in terms of employment and job creation is rather marginal. In East Germany, new firms clearly created the bulk share of new jobs. This is remarkable given that there have been no special policy programs for stimulating entrepreneurship in the 1990s. In contrast to the German case, policy should put a special focus on new business formation and self-employment right from the beginning in order to support the population in using their skills, knowledge and creativity in an economically productive way. The specific design of an institutional framework plays a critical role for a successful bottom-up transformation via start-up activity. This refers especially to formal rules such as business, labor, and competition law. Furthermore, norms and values of the population with regard to the social acceptance of entrepreneurs are pivotal. Another lesson from East Germany is that many of

the new entrepreneurs and managers of incumbent enterprises already held leading positions during socialist regime. Accordingly, it is likely that a complete exchange of the economic elites in the case of a North Korean transition might cause a severe reduction of the available entrepreneurial potential.

Any transition policy should be tuned to the different regional contexts across North Korea. Some North Korean regions might have an entrepreneurial history pre-dating the communist regime, and as such are certainly not starting from scratch. Potential regional differences in existing entrepreneurship cultures and general demographics should not be ignored by policy makers. Entrepreneurship policy needs a long-term orientation that avoids jeopardizing the market selection processes by using special subsidies or a short-term oriented “pick-the-winners” strategy.

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Decentralization of Power and of Decision-Making – An Institutional Driver for Systems Change to Democracy

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Abstract: »Dezentralisierung von Macht und Entscheidungsfindung – ein institutioneller Treiber für Systemwechsel zur Demokratie«. Regarding processes of system change towards democracy, rule of law and market economy from a comparative point of view, the decentralization of political institutions and of managing public affairs is one important system goal. Based on German experience in two times of transformation (1945/49 and 1989/90), the article reflects on the usefulness of transferring these (meanwhile historic) experiences as a specific "lesson" to the Korean peninsula. Our conclusion is threefold: First, a reform of the political system should combine a maintaining vertical hierarchy acting top down with local autonomy with either a strong or a weak set of responsibility. Second, an elite circulation of small size which incorporates cooperative parts of old elites seems to be useful; thereby risks of obstruction can be neutralized and local rationalities can be unlocked in situations of transition crises. Third, local self-government serves not only as a "driver" of democratization but also for optimizing people's demands of functional execution of public services.

Keywords: Decentralization, system change, local politics, international comparison.

1. The Basic Thesis and its Historical Evidence

Our basic thesis is threefold: Decentralized institutions of a political system, working on the middle level of regions and even more on the lower level of *local jurisdictions*, generally increase (a) the *legitimacy*, (b) the *efficiency* and (c) the *common acceptance* of processes transforming autocracies into democracies. This general assumption has not only been confirmed by the experience with the specific institutional transfer that was part of German Unification in 1989/90 but

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has also been incorporated in the constitutional framing of many post-communist states in middle and eastern Europe. No doubt, the latter democratically ‘converted’ countries mostly adopted the type of a unitarian state. However, at the same time the unitarian character of the new democratic constitutions “has been moderated by introducing Local Self Government offering directly elected representatives and being endowed with budget autonomy” (Ismayr 2004, 12).

In fact, the degree of decentralization in these countries differs: Croatia, for example, “has a kind of hesitating decentralization,” lacking core responsibilities and finances (Kopric 2008, 41). The Constitution of the Republic of Poland guarantees that “the municipality (*gmina*) shall be the basic unit of local government,” and “other units of regional or local governments shall be specified by statute” (see Dudzinska 2008, 109). A number of western European consolidated democracies have similar proposals. Of great importance is the local government for example in The Netherlands:

In formal terms, the Dutch state is unitary, but ‘unity’ in this particular state form is not sought through hierarchical steering, but rather through mutual adjustment between the three levels of interconnected territorial government: national, provincial and local (Boogers 2008, 150).

Similarly, Swedish municipalities “are self-governing political units, but they are also parts of the public administration”; that means “the day-to-day decisions of municipal democracy are, to a large extent, already determined by the national government and parliament” (Wörlund 2008, 195). After the democratic revolution of 1974, Portugal “took measures to enforce local democracy,” too (Pires de Almeida 2008, 234). Great Britain, on the other hand, in some way is a deviant case. Indeed it has a tradition of local government, but it “lacks any basic constitutional protection, including the right to continued existence” (Copus, Clark and Bottom 2008, 254).

Despite the fact that a great variety of institutional patterns of local government exists, oscillating between the poles of strong and weak local self-government, we can record that adopting a decentralized level of public policy and administration is characteristic for countries which are proceeding on the path of transition from autocracy to democracy. Germany is a special case, insofar as the same procedure historically occurred twice: Here, local self-government was not only a core element in the transfer of institutions from West to East cementing German unification in 1990 but it was also a part of the Western Allies’ historic attempts to bring Germany back to democracy after World War II. In 1946, the British Military Government of Germany, for example, promoted an institutional reform, entitled *Democratisation and Decentralisation of Local and Regional Government* (here following the revised version of February 1946). The reform goals were described as follows:

The administration of affairs in Germany will be directed towards the decentralization of the political structure and the development of local responsibility. Regional and local self-government will be reorganized [...], and the Germans en-

couraged to build a new political life on the widest possible democratic basis. The final aim will be that policy shall be initiated by the elected representatives of the people (VfZ 1969, 17).

In 1946 and on the local level, representative councils should firstly be nominated and then elected, assisted by a local civil service. The latter was declared “nonpolitical” – not acting like puppets of state or party ideology but solely in line with the customary principles of a professional bureaucracy.

At that time German domestic politicians undermined the Allied program of a ‘depoliticized decentralization’ and instead of it successfully revived the customary German model of a strong local self-government that traditionally favors party politics. Despite this the occupying power as well as the democratic representatives of the defeated Germany in the Western sectors in principle agreed that democratization has to grow ‘from the grassroots,’ protected and supported by decentralized bodies of politics and administration. Being exposed to the two ‘critical junctures’ during systems change in 1945/49 and in 1989/90, the renewed local self-government both times passed its practical test with flying colors.

The German path of bringing back democracy after the clash of dictatorship encourages us to generalize some historical findings: First, in times of crisis, the maintenance of state power and the allocation of public goods primarily have a *local face*. It is the local authorities who are seen as mostly responsible for a good running of daily life, and it is *their* standing or failing the test that strengthens or weakens the authority of the new regime on the whole. Second, political reforms “from below” should be combined with or embedded in reforms “from above”. Elsewise, lower and upper levels of policy-making run the risk of growing apart; so a localism may arise which could foster (ethnic or territorial) separatism and undermine national unity. Or factions of political reform and of stagnancy competing vertically could blockade each other.

These observations underline another basic theoretical assumption: *Institutions do matter*, not least in times of transition and system change. To manage the risks and uncertainties of change, it is essential for political actors to be backed by institutions which “frame” political action in a calculable manner – particularly if the institutions themselves are the object of controlled institutional change (more details below). This does, nota bene, *not* mean that political action is strictly determined. Rather in times of transitional uncertainties, actors can dispose of freedoms of action in a flexible and creative manner. This may explain that we witness a “neoinstitutional turn in the research of autocracy” which is focusing on the institutions of the system (Backes and Kailitz 2014, 7). However, to emphasize the importance of institutions does not mean to neglect the role and function of actors.

2. What Does Decentralization Mean? – An Attempt to Clarify a Catch-All Term

In general, we can distinguish broad and narrow concepts of decentralization. In a wide sense, decentralization means to delegate planning, administrative and/or (re)distributing responsibilities from higher to lower ranges of public or private institutions and organizations (cf. Rondinelli and Nellis 1986, 5). We ourselves prefer a narrower concept. Accordingly, decentralization contains solely *self-government*, specifically a constitutionally based level of regional and/or local *autonomy* (Holtmann and Rademacher 2013). Being part of a national constitution, decentralization implies an *intrastate* transfer of either political and/or administrative responsibilities, albeit with the higher-ranking reason of state often providing specific measures of legal supervision and of financial grants to national authorities. Germany is an example for such an ‘entangled’ federal system with strong local government. From a vertical point of view, the top-down delegation of power may be addressed to regions (middle level) and/or to local units (lower level). If a regional meso-level does not exist we find simply municipalization of public politics and services (Kuhlmann and Wollmann 2013, 116 et seq.).

With reference to the legal rules and the internal logics of public administration, we can distinguish three basic modes of decentralization: (1) *deconcentration*, (2) *delegation*, and (3) *devolution* (cf. World Bank Group 2013; UNDP 1999). Deconcentration is considered as the weakest type, at all; here subordinated agencies only execute tasks and duties, and are strictly led and controlled by upper level authorities (this type is characteristic for unitary centralized states). Second, delegation of power normally comes along with more autonomy at the lower level; state control is confined to controlling *only if* the delegated tasks are executed and not in which way they are. The most comprehensive form of decentralization is devolution: Here, the central government transmits public responsibilities to quasi-autonomous units of regional or local self-government. So the political and administrative issues of decentralization are overlapping (World Bank Group 2013).

3. Decentralization is Global – A Clue to a Worldwide Trend

All over the world, a lot of countries are experimenting with decentralization (cf. Manor 1999, vii). The international research community assumes a global trend of decentralization (cf. Kuhlmann and Wollmann 2013; Kuhlmann et al. 2011; Denters and Rose 2005; Pollitt and Boukaert 2004; Stoker 1991). This trend is energized mainly by two assumptions: One the one hand, a “retreat of state” and its self-demolition to a “lean state” should give municipal jurisdictions plenty of slack so that the latter institutions at the same time are more

adjusted to business management reasons (New Public Management). Here the intended goal of reform is to increase the performance of local public administration by implementing criteria of economic efficiency. Opposite to this technocratic idea of reform, decentralization has become more popular as a label for civic participation and voluntary self-government of public affairs. The general call for local self-government and the booming idea of a participating civil society has been subsumed under the topic “Good Local Governance.” Lately, it has now become evident that there exists a strong tie between decentralization and democratization.

4. How Can We Explain the Long-Standing Viability of Local Self-Government?

However, the long-living narrative of democracy is not the only reason why local self-government has proved itself viable as an institutional prerequisite of “blueprints” of systems change from autocracy towards a state of law and democracy. We can explain this remarkable endurance (or resurrection) of local self-government by a bundle of persisting *societal factors*, of the charisma of *democratic norms* and of evident, politically *functional considerations*. Though *prima facie* empirically derived from the German case study, it has a lot in its favor of classifying these factors as universalized phenomena. In the following, we enumerate some relevant points:

First, we should keep in mind the time-transcending (and probably universally existing) “nature” of local communities: All over the world, people are living, thinking, feeling and acting within socio-spatial relations which are personal, familiar and of a size easy to survey. It is the local surroundings that make family, neighborhood, peer groups or associational activities identifiable. Individual demands and personal interests are knowable as well. The “density, nearness, and intensity” (Wehling 1986, 227) of social relations is a characteristic feature of local communities. In turn, this is a precondition for solidarity but, no doubt, also a source for latent or open social conflicts. In any event, the local social community and its political jurisdiction, the latter being the legally institutionalized elements of local government, obviously are more closely nested than is the case on the upper levels of regions or national state – especially given that there exists a local self-government which deserves this name. If this is the case, then the “genes” of social community may evaporate energies for local politics: People can develop and train subjective political competence (“By participating we are ruling ourselves”).

Second: Keeping in mind these specific social structures of local living environments which can be used in favor of local politics, three additional matters of fact constituting the enduring importance of local administration and politics in modern democracies become more understandable: (a) the participatory idea

of “*democracy from the grassroots*” as a normative principle *and* as political practice; not randomly is the constitutional framework of EU based on the principle of subsidiarity (“what can be done by lower levels, should be done by those”) – (b) the *vertical share of powers* inside a multi-level system, by delegating influence and responsibilities to various layers of the political system – and (c) the relatively high level of *subjectively perceived importance of local public institutions* and of *general trust* in them.

As in other cases of the “strong type” of local government (cf. Wollmann 2002) in the world, the German case confirms these matters of fact mentioned above as well as showing their long-term viability. Concerning grassroots democracy, in Germany elected local representatives are programming and controlling general and specific decisions of their municipalities. Moreover, complementary instruments of direct democracy have meanwhile been installed for the election of mayors and for plebiscites on factual local issues. In fact, German municipalities have substantial responsibilities of “original” self-governance (as will be described later in this article).

As to power sharing within an ‘intertwined’ multi-level system, the German model resembles a paternoster lift: In addition to their original rights of self-government, local jurisdictions are executing delegated tasks and distributing financial benefits *on behalf of the state*. The reason why these public duties are transferred top down by national and regional authorities is twofold: On the one hand the polity can make profit of the above mentioned familiarity of local actors and local offices with urban problems. On the other hand otherwise state capacities could be overloaded. Conversely, German municipalities are embedded in a vertical multi-stage construction of state supervision operated by means of legal control and guidance.

The “nested political outcome” within the German multi-level system is perceived as a confluence of national, regional and local politics. This enforces a common idea that “all politics is local” (and, vice versa, that local incidents are a mirror of national politics). Most public affairs (except, for example, foreign policy) and public spending are omnipresent on local grounds, people have a considerably high esteem of the local government’s importance, as empirical surveys repeatedly have shown. In 2008, for example, one third of West and East Germans were convinced of regional and local levels mostly influencing daily life; while 47 and 46 percent respectively estimated the national level to be most important (Eurobarometer 307, 2009). In the same year, 67 percent declared local government institution’s decision as “important” or “very important” for their daily life. This high esteem was only topped by a 77 percent preference for the *Bundestag* (Bertelsmann Foundation 2009).

However, not only the normative weight of the ideal of “basic democracy” and of the wide-spread popular esteem of local institutions can legitimize local self-government. Additionally, a decentralized administration of politics as such is *functionally advantageous*. As already outlined above, the rules and

practices of shared power running the multi-level-system of German “cooperative federalism” are based on the expectation of a more efficient administration and politics. For this reason, “decentralization” ties together the elementary democratic desire for political participation *and* the “technocratic” argument of better problem solving.

The “technocratic” assumption is: Decentralized political decision-making is able to optimize its output by “creaming off” the knowledge and personal competence of those actors who are nearer to the problems below. Since the early 1970s German political scientists have pled for making accessible “local rationalities” (Naschold 1972) in favor of improving decision making processes. The argument is: Solutions will be better if contextual knowledge and motivation of actors and experts close to problems are included. Such contextual knowledge allows a practical view on local problems, and it is reloading itself as part of the described social webs of local communities. Thus, the result hoped for is not only stabilizing democracy on lower levels of the political system but creates also an “increasing efficiency of the organization as a whole” (ibid., 89). This double effect is quite important in times of systems change on the one hand, old state authorities may collapse while on the other hand a transitional justice will be impelled. It depends on intimate and authentic knowledge of individual incrimination of members of the old elites if transitional justice deserves its name.

To support this thesis of local rationality, we refer to the fact that in Germany the standardized text of a law being applied on local grounds normally is adapted to concrete local problems (cf. Bogumil 2001, 17) due to the existence of a “working” local self-government. This general advantage of decentralized administration and policy-making proved true during the transition process in East Germany and especially in the early years of reunification. Concerning the sector of housing policy, for example, some legal norms transferred from West to East turned out not to fit well for the specific needs of East German cities. Nevertheless, solutions have been found: As result of informal negotiations, members of both regional and urban administrations came to flexible agreements by adapting inadequate aid programs to deviant domestic demands, sometimes yielding discretionary powers to the extreme (cf. Meisel 1997, 1998).

To summarize so far: Decentralization in the described sense refers to a model of institutionalized self-government giving space for substantial local (and/or regional) autonomy. Its remarkable viability as political program along with real practice is the result of a specific merger of democracy and efficiency. On the one hand, decentralized politics better facilitates the consideration of citizens’ needs, as well as stimulating civic participation, and promoting self-determination of smaller communities whose peculiarity and identity can be preserved easier (Benz 2003, 6). Furthermore, local self-government with guaranteed local autonomy is not only derived from mere democratic principles but it is also esteemed

for its complementary functions as a decentralized part of the entire political system. Citing the political scientist Joachim Jens Hesse, in Germany since the 1980s local institutions have become more and more important “as down-streamed agents of implementation, pooling and integration” in support of the state (1986, 25). Whereas state politics follows the aims of central political leadership, focused on identifying and solving general problems, a set of tasks of performative politics is delegated to local authorities (ibid.).

5. The Systemic Functions of Local Self-Government in Germany

The cooperation of national, regional and local politics within the multi-level system of Germany draws attention to the systemic functions of local self-government. As already outlined, the function of German local self-government is closely linked to its decentralized tasks and responsibilities. Neither the national ministries and other upper state executive boards nor the regional governments of the *Länder* can dispose of a local administrative body of their own. Therefore, state agencies of *Bund* and *Länder* have to revert to local institutions and urban civil services in order to execute the law and to implement benefits and programs. This is the reason why, as a rule of thumb, German municipalities (and counties, *Kreise*) transact approximately two thirds of the entire public spending.

Article 28, clause 2 of German Basic Law constitutes a guarantee of the institution of local self-government. Seven main responsibilities are assigned exclusively to municipalities. These granted sovereignties are: (1) a *territorial responsibility* (*Gebietshoheit*), that is, the general authorization to pass legal acts within their own boundaries; (2) a *norm building task* (*Satzungshoheit*), limited by the local unit's own territory; for example, development plans, scales of charges or budgetary planning can be subsumed under this task; (3) an *organizational competence* (*Organisationshoheit*), offering municipalities the right to build up a local body of administration; (4) a *financial sovereignty* (*Finanzhoheit*), enabling an autonomous budgetary policy; (5) a *personal competence* (*Personalhoheit*), including the right to engage, to dismiss, to promote and to employ the personnel of local civil service; (6) a *planning competence* (*Planungshoheit*), which makes it possible to plan about the local territory autonomously, (7) a *task competence* (*Aufgabenhoheit*), that means local jurisdiction can decide what to do by priority (Walter-Rogg, Kunz and Gabriel 2005, 414 et seq.). Most important is the financial sovereignty because it is the permit for operating the amount of income and expenditure autonomously, thereby laying the financial ground for the autonomous performance of public tasks and services.

The real degree of local autonomy in Germany depends on whether the tasks are declared to be genuine self-government, compulsory or optional (*freiwillige*

and *pflichtige Selbstverwaltung*), or to be delegated tasks of state (*staatliche Auftragsangelegenheiten*). Depending on the divergent kind of duty, the range of legal or material controlling on the part of higher state agencies also differs. But notwithstanding the existing formal rights of control from above, state politics is reliant on a closing on ranks, that is to say joint implementation arrangements (*Vollzugskonsensus*) with local jurisdictions. The basic consensus underlying the German multi-level-system is vertical *intertwining and cooperation* between national, federal and local politics and administration instead of “*fencing off*” and separation.

The German model of a decentralized completion of managing public affairs has its historical roots in the Prussian municipal reforms of 1808. Subsequently a *path dependency* of this model has been shaped out, albeit twice interrupted by hierarchical and incapacitating attacks that disempowered local self-government in times of national socialist dictatorship between 1935 and 1945 and during the communist GDR-regime from 1949 to 1990. Local self-government was reinstalled in West Germany after 1945 and in East Germany since 1990. The resilience is quite remarkable. It has its origin in the institutions’ ‘twin set function’, that is to say equally fostering democratization and optimizing a down-to-earth problem solving as well.

6. Local Self-Government as Part of the Transfer of Institutions to East Germany in the Period of System Change and Reunification 1989/90 – Dimensions and Structure-Building Effects

At late the inner collapse of the autocratic system of GDR revealed the lack of democratic substance on local grounds. However, there was no alternative but to cover the ongoing demand on sufficient municipal delivery of public services. From the West German federal government’s point of view, initiatives to rebuild an efficient public administration in East Germany were confronted with enormous difficulties. Citing an official document of July 1991, conditions were “partly disastrous”, that means they were rather reinforcing transitional crisis than attenuating it. “Traditional deficits of existing bureaucratic bodies continue to be a considerable barrier against establishing equal conditions of life in the whole country” (Dt. Bundestag, Drucksache 12/916). Therefore, the federal government, the “old” *Länder* and a lot of West German local jurisdictions started a program for supporting a speedy recovery of an efficient public administration in the “new” *Länder* and their municipalities.

The treaty of unification offered a legal basis for this level of spontaneous administrative partnership. So anticipating the official date of united Germany, a considerable transfer of personnel and administrative know-how from West

to East took place. In order to coordinate the personal demands for roundabout 7,500 East German municipalities, the ministry of the interior and the leading organizations of local government installed a so called purse for personnel at Berlin. Until the middle of 1991, thousands of West German civil servants were sent by their home town offices for assisting at the renewal of local administration in East Germany. Mostly, this personal and technical assistance got its initial spark out of more than 700 towns and county East-West partnerships. All East German towns with more than 40,000 inhabitants, as well as all 190 East German counties, belonged to this cross-border network of local co-operation which had already existed in times of GDR (for details, *ibid.*).

Special in-service training courses were offered to East German civil servants as part of the partnership program. Personal assistance of West German municipalities also included the transfer of professional knowledge for handling local affairs, either often by technical advice at place or from a distance. So “deputized” decisions were prepared and worked out, concerning, for instance, documents of approval or the audit of legal questions and problems (*ibid.*).

7. Structural Challenges and Problems of Accommodation in Times of System Change – A “Lesson” of German Experiences

Bringing together two antagonistic state cultures was an enormous challenge. Citing the expert Klaus König, in the beginning of unification of East and West Germany “two fundamentally different types of civil service were standing opposite to each other: on the one side the traditional civil service with tenure, and on the other side an administration of Marxist-Leninist cadre type” (Koenig 1992, 549). Thus, the main characteristics of the real-socialist type of public administration could be described as follows: this type combined “an instrumental doctrine of state for managing public affairs, a cadre-based personnel, democratic centralism as guideline of organization and transmitting party’s intention into current administration” (Koenig 1995, 82). The personnel’s basic qualification requirement was ideological aptitude. Though since the 1960s professional expertise had become more important (cf. Best et al. 2012), the “auto-dynamics of professionalism” (Koenig) should be constrained by the single party’s instructions. “Modes of recruitment and career aimed at system loyalty and partisanship” (Koenig 1992, 550).

Under these circumstances, East Germany’s public sector “had to be redefined totally” (*ibid.*, 552). Hereby, structural rebuilding and conversion of personnel were linked closely. The local sphere was a specific object of reform, too, because in times of GDR the municipalities had served as “local agencies of state” and lacked any autonomy. No doubt, the challenges of transformation

were enormous. Transformation of structure and spirit meant, for example, that “a county administration has to be repurposed from a mere state subordinate into an agency of local self-government. And, furthermore, the duties belonging had to be done” (ibid.).

The unification treaty of 1990 prepared the path for public reforms so that all officials of East German administration branches, if the latter were not liquidated as institutions, maintained their jobs. This decision came about on behalf of securing continuity of administration and of including the old personnel’s collective interest as well. So much more urgently aroused the question of “how to incorporate members of the old cadres into a conventional system of administration which is based on principles of professional qualification and output, despite the existing influence of party politics” (ibid., 555).

There were two factors that facilitated responding to this challenge. First, transformation in general is characterized by “*specific similarities* between the former and the new system” (ibid., 552). In the case of Germany, like Klaus Koenig pointed out, the bureaucratic state’s historical heritage was a matter of weight as well as the past of an industrialized economy. Besides this, the institutional change was based on a “formal-legal revolution,” continuing practices and loyalties of the traditional pattern of bureaucracy: “State monopoly for making law and executing it has not been infringed. The real socialism has been discharged peacefully by new constitutional rules, laws and regulations” (ibid.).

Second, a complete *replacement of elites* did not really take place (cf. Best and Vogel 2012, 2016, in this HSR Forum). For the moment, the great bulk of GDR cadre personnel remained untouched by the regime transformation from dictatorship to democracy. One result of this “soft” elite circulation – at least in the second and third range – was that the affected personnel got a chance of “rational adaptation”. And in fact, they often used this chance. The term “adaptation” reflects a mode of reaction which in 1945 US-American social scientists had in mind, looking forward on presumed attitudes of German people after the end of the War. Then the capability of “rational adaptation” has been outlined as “a fundamental component of social behavior” in times of regime displacement.

Following this theoretical approach, the ‘silent’ adaptation of at least some parts of the old positional elites to the new system goals is a decisive psychological prerequisite for running a *controlled institutional change* successfully (American Journal of Orthopsychiatry 1945, 397 et seq.). In short words: In order to control blockade potentials of the old “vested interests” inside remaining institutions and to replace old webs of group solidarity, it is advisable to win a part of the old personnel as auxiliaries of change. Getting so? ‘Allies’ within the social system itself by satisfying their special interests, a window is open “for a *sufficient degree of conformity* on the part of a sufficient proportion of the relevant population” (ibid., 398 et seq.). It is exactly this conformity which is much-needed, because a successful system change depends on a cooperative attitude of at least some parts of the old elites.

A controlled institutional change is also important on the grounds of local government. In precarious times of transition the public services have to be ensured here. Not referring to this “recipe” of controlled institutional change explicitly, the democratic renewal of local government and administration in Germany followed this path, after 1945 in the Western half of the country as well as during the start-up of democracy since 1990 in East Germany. Indeed, a change of leadership in the first-line of local management often occurred. But the newly appointed personnel of upper range (burgomasters, district chief executives, heads of departments, chief officers) often had a professional background, (that is) *distant* from administration and politics; partly old mayors were reelected, albeit under non-party label (Daeumer 1997). Approximately each third or fourth of these reelected mayors holding the same office already in GDR got approved in free elections (Wollmann 1997, 277).

On the whole, the change of local elites was “in no way complete”; in lower ranges one can observe “continuity to a large extent” (Wollmann and Jaedicke 1995, 106; Daeumer 1997, 21, 241). Even more, the corridor of local institutional change, oscillating between brake and continuity, opened the floor to revalue *endogenous East German views and experiences* seeping into the new body of decentralized institutions (Wollmann 1996, 51; Wollmann et al. 1997, 12).

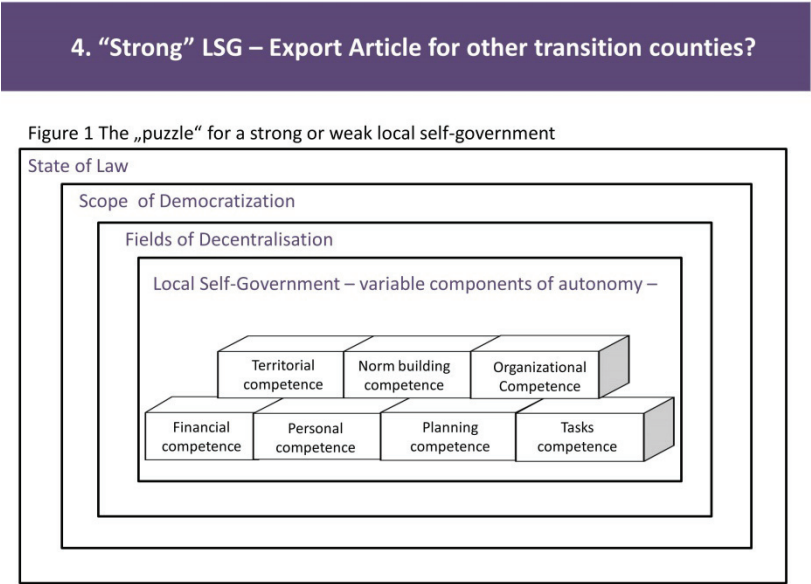
8. The Institution of Local Self-Government: An Export Article for a Decentralized Version of System Change?

With regard to a discussed application of the German case and its specific experience with system change and unification, one question arises: Does it make sense to export the German model of local self-government – a strong type, above all – like a virtual scenario for a Korea transmuting itself into transition country? – The answer is: Yes, in principle, because the concept leaves space for *graduations*. In other words: It is possible to hold a balance between the two poles of centralistic hierarchy and decentralized local power in different ways, due to (differing) political preferences and national traditions. Even if one does not copy the complete set of municipal sovereignties as if it was actually granted in Germany, a decentralized composition of public affairs might run. We can also imagine a constellation of “weak self-government” which is similar to the present constitutional situation in the Republic of South Korea, conceding rather limited autonomous functions and financial sources for local authorities (Koellner, Flamm and Olbrich 2015, 105-8). Furthermore, a less autonomous municipal power like this could be the starting point for moving towards more decentralization.

The following figure shows the “puzzle” for how to combine (or to exclude) the elements of total seven local rights and municipal sovereignties. In contrast to the case of Germany, one could abstain, for example, from the norm building

and/or organizational competence, and/or transferring top-down only a limited financial responsibility. If doing so, the result will be a pattern of local administration serving more as a long arm of state politics. However, a construction like this is also compatible with a democratic system. But it will less exploit the potential resources of local democracy.

Figure 1: The “Puzzle” for a Strong or Weak Local Self-Government



Source: E. Holtmann (2015), IPSA World Conference on North Korean Studies.

Whether it be a “strong” or “weak” institutional pattern, tensions and conflicts between upper and lower levels will arise in Germany, for example, on and off conflicts arise between local assembly’s decisions and legal supervision by state agencies. Another critical subject is the financial dependency of municipalities being led by the “golden reins” of state benefits and subsidy programs.

Disregarding such typical inherent tensions and political infight (and fading out for a moment the completely hierarchical masque of the North Korean dictatorship): Is there any point of contact for bringing forward decentralization in the contemporary political system of South Korea?

Anyway, decentralization and local autonomy is a topic of current South Korean political and scientific debates on administration reform (Rowan 2002; Choi, Choe and Kim 2013). Korea seems to lack a historical legacy of decentralized administration and local self-government. In fact, local representatives and some scientists have criticized central government repeatedly for refusing to transfer responsibilities to the bottom of politics (Choi, Choe and Kim 2013,

31). However, the Republic of South Korea cannot elude the international trend of decentralization completely. In 1999, a committee for the devolution of governmental tasks has been established (meanwhile renamed Presidential Commission for Decentralization/PCD). Furthermore, in 2004 a special law concerning the promotion of decentralization was enacted (ibid.).

Accordingly, the matter of decentralization and devolution is defined as part of central state's top-down initiative. Following an internal PCD paper of December 2011, more than 3000 public tasks were provided to be executed decentrally; at the same time more than 55 percent have been brought en route, most of them in 2004 and 2005 (ibid., 32).

Nevertheless, the pace of reform moved slowly. There are several reasons why: Central agencies of state argue that at first local jurisdictions should improve their administrative skills in order to manage the process of decentralization efficiently. Vice versa, local governments suspect that upper authorities are hesitant to transfer responsibilities top down because they fear a loss of power (ibid., 33).

The history of German state-building, and especially the experience of system change and unification in 1989/1990, proves that a synchrony of both centralizing *and* decentralizing governance of public affairs can have fruitful effects. Consequently, Korean scientists also demand a synchronous process of decentralization of responsibilities and of building up local administrative capacities (Choi, Choe and Kim 2013, 33).

Maybe, in the hypothetical case of a Korean unification a strategy and practice might be helpful similar to the "benevolent despotism", by which after 1945 the British Military Government had accompanied West Germans attempts to recover the democratic path of local self-government. The strategic goal is the same now as then, which is to assist top down the process of democratization and to install a professional, efficient and law-abiding local bureaucracy.

9. A Blueprint for Korea? – Some Possible "Lessons" of the German Path of Decentralization from a Comparative Point of View

Apparently, national conditions differ. The cultural context is not always the same. Summarizing the remarks lined out above, we dare to shape some generalizations derived from the German experiences with system change and unification:

- 1) A pattern of system change which combines the perspective of a "*reform from above*" with elements of a "*reform from below*" proves to be rather successful. Local self-government and administration should be embedded in a system of state control, (legal) supervision and financial subsidies. On

the other hand, a *vertical hierarchy acting top down* should be complemented by the *autonomy* of either a strong or a weak set of responsibilities on the local level.

- 2) An *elite circulation of small size* seems to be useful, at least on the local level of politics and administration. A ‘soft’ staffing policy like this can create a specific win-win-situation either for adaptable old cadres or for promoting the new norms and rules. So, potential risks of obstruction and blockade are neutralized, and *local rationalities* can be made useful for managing transition crises better.
- 3) Local self-government which deserves this name serves as a “driver” of *democratization* as well as for optimizing demands of *functional execution of public services*. The latter claim is also important for legitimizing the new political order on the part of ordinary people.
- 4) Making use of local peculiarities and innovative resources, local self-government opens the floor for *best municipal*.
- 5) Offering opportunities of local self-government, the personal *identification with local units* can be strengthened. Furthermore, local identity may be an incentive to stay as a local resident, despite the fact that the alternatives of flight from the land and out migration will probably be attractive for many people beyond the former boundary in times of transformation.
- 6) A considerable advantage of local self-government is its *flexible institutional setting*. This setting can serve as a stakeholder for political reform. It is possible to arrange the components of sovereignty in the way of a “puzzle” of institution building, accommodated to divergent cultural traditions and actual demands.
- 7) Last but not least: In times of system change, severe uncertainties are growing on the part of ordinary people. Local self-government can provide for some stability in this critical period between the systems if the new authorities are reverting to contextual knowledge and professional skills of local “trustees.”

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Psychological Challenges of Unification – Selected Results and Thoughts on Korea

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Abstract: »Psychologische Herausforderungen einer Politischen Vereinigung – Ausgewählte Ergebnisse und Anregungen für Korea«. A number of early warning signs for the break-down of a political system like North Korea are presented, inspired by recent research in psychological science. Taking post-unification Germany as an exemplary case, the times soon after the turnabout and the mid2000s are considered in light of our own research. The focus is on the new challenges people were confronted with, which resources helped them to cope with strain and stress, and what all this meant for well-being. Concerning the 1990s, key drivers of behavior and its change were the changed institutions that resulted in rather quick adaptation to the new rules. Nevertheless, personal resources such as self-efficacy, gained under the old system, made a difference. In the 2000s, it was the uncertainties about life planning, rooted in the unification aftermath and effects of globalization and economic jeopardy, which shaped behavior. When confronted with challenges, people typically responded by active engagement, and if supported by internal control beliefs this helped to protect well-being in spite of the difficult situation. Under especially dire circumstances, however, disengagement was positive because it spares resources for alternative action. For the situation on the Korean Peninsula the German research results made plausible that policy interventions can use many entry points in the system of coping with social change, from opportunities to personal skills, to ease the challenges of living in a new country. Further, it demonstrates that a unification scenario inspired by the German model would require acculturation in both parts of the country, not only in the North. And finally, one has to consider lasting deficiencies in crucial agency factors due to growing up in an environment characterized by scarcity of adequate living conditions for large segments of the population.

Keywords: German unification, political system change, challenges and demands, coping, role of opportunities and personal resources, young people, policy advice.

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1. Introduction¹

The question posed in this paper concerns what one can learn from research on German unification for the possible unification of the two Koreas (North, South). We refer to two lines of psychological research on youth and adults (up to 45 years of age) that were performed in the years following unification in 1989 up to the mid-2000s. The aim was to understand the relationship between changes on the aggregate level of society and the behavior of people in this age range, especially in the former East of the country. The time from adolescence to young adulthood is of particular relevance because these age groups are known to be more flexible when facing social change compared to older people. We confirmed this notion of “impressionable years” (Krosnick and Alwin 1989) for the German situation by using period comparisons on basic value orientations over five years after the early 1990s. More specifically, the group of those aged 15 to 19 years and 20 to 24 years exhibited a remarkable reduction of the difference in values between the East and West of the country, whereas the group of those aged 25 to 29 years that had spent a decade or more working in the old system showed no difference at all. This convergence of basic value orientations, such as collectivism and individualism, among the younger groups mainly occurred in the former communist East, and it could be identified as due to an increase in individualistic orientations, the hallmark of the West (Reitzle and Silbereisen 2000a). Consequently, when thinking about possible political changes on the Korean Peninsula, paying special attention to our insights on young people under the influence of German unification seems justified.

The question remains regarding whether German unification can at all constitute a worthwhile experience when examining likely scenarios for Korea more than 20 years later, in a changed geopolitical situation and with extant cultural differences. Moreover, how unification was accomplished may be a unique case that cannot be easily generalized. It is worth noting that the background for the German model of unification, broadly considered, was the belief in a gap compared to the West in technological modernization and related governance organization. Consequently, the transformation mode was that of a shock-wise change to the social market economy and representative democracy with its many institutions, all orchestrated politically as *Beitritt* (accession) of the former East Germany to the Federal Republic of Germany (Zapf 1996), and supported by a strong pro-unification movement among the population in the East. Taking this as a blueprint for a potential Korean unification is only one of many possible scenarios. When reporting potentially relevant psychological insights in this paper, we have to keep this proposition always in mind. However, we believe that the results of unification-induced behavioral change that

¹ I want to thank Michael Fritsch for helpful comments on an earlier version of this paper.

we investigate can be applied to a range of political transitions and transformations and, when considered with caution, do indeed have relevance for Korea. One should not overlook, however, that the German model was problematic in many major respects, e.g., the changes in the economy resulted in tremendous unemployment rates in the East, and the *Angleichung* (alignment) of life circumstances due to the transfer of Western institutions, even decades after unification, has still not been fully accomplished (Adler 2002).

2. Characteristics of Societal Change and Psychological Conditions

Research on German unification is susceptible to a number of misconceptions about the influence of communism in the East, since knowledge of and access to the former East Germany was limited for so many years. Moreover, because the former East Germany was much less isolated and secretive than North Korea, some of these comparisons may be rejected by Korean political actors in their context. In addition, psychological thinking regarding the causes of social revolutions, such as in Germany and elsewhere, will be mentioned because it identifies specificities and commonalities with the possible Korean situation of system change in the North.

2.1 Incorrect Assertions that Mislead Political Action

The first incorrect assertion was the belief that, due to the desperate economic situation compared to the West of Germany, the one-sided political domination of many spheres of life and the environmental degradation due to outdated industrial plants, people suffered in their health and well-being, in general. More specifically, due to permanent “patronizing” by the authorities, they would exhibit low levels of self-efficacy, i.e., demonstrate little belief in their capabilities to organize and execute the courses of action required to manage prospective situations. In other words, they would be unable to exercise agency, with consequences for numerous important spheres of life, including health (Bandura 1995). However, this was not at all the case – contrary insights into widespread human resilience were overlooked (Bonanno 2008). In particular, a common split in many peoples’ minds was not recognized, between ritualized behavior in public life with little personal control, and behavior in the reclusive private domain, with its many opportunities for successful self-efficacy promoting activities. It is plausible that North Korea may not be too different. Nevertheless, it must be taken into account that the mass privatization characteristic of many post-communist countries is known to increase mortality rates, especially when people lack social capital (Stuckler, King and McKee 2009). In addition, the North Korean population will have suffered from the many

economic hardships and associated ailments that are known to affect psychosocial development of the next generation (Heberle and Carter 2015).

The second incorrect assertion was the belief that differences between the two former countries were due to the different political regimes. In actuality, some dissimilarities, such as the divergence in marriage and cohabitation patterns, represented old religious differences that had emerged over centuries. Moreover, the different responses to economic incentives across regions of the East were rooted in long-standing business traditions predating communism (Fritsch and Wyrwich 2014). The confrontation between the agrarian population in large parts of North Korea and the post-modern industrial population in the South during a process of political reconciliation may also highlight similar hidden traditions that should not be categorized as part of the communist legacy.

The third incorrect assumption was that German unification would result in a quick alignment of living circumstances. This view ignored the fact that the mode of unification showed resemblances to migration, not of people, but of social institutions. Nevertheless, with this analogy in mind, any expectation of a quick and broad assimilation to the Western mold is unrealistic. On the one hand, as in real migration situations, it may take more than a generation to change culturally rooted behaviours beyond the pragmatics of everyday life that change quickly. On the other hand, people are not homogenous in their response to social change. For example, some groups may have been open to change already, and may acculturate smoothly when confronted with a flexible political transformation regime that acknowledges their prior life and achievements. In contrast, other people may already be skeptical of changes and, when confronted with a new system rigidly insisting on adherence to the new order and disregarding past achievements, may resist. Actually, the notions of the rigidity-flexibility of the system and the openness-resistance to change among people form a four-fold matrix, with more prototypical groups to be distinguished (Best 2007; Schmidt 2010). Overall, the political management of social change needs to acknowledge group differences and adjust to their needs. It is clear that Korea will possess its own particularities in this regard.

2.2 Psychological Concepts Regarding the Causes of Political Transitions

What does psychology have to say about the causes of social change, and how much can it tell us about the Korean situation and, in particular, the role of youth? There are certainly many approaches from other sciences that attempt to elucidate why and how a revolution gains momentum. However, for the emergence of the potential growth of conflict, the “system justification approach” is helpful. As Kay and Friesen (2011) show, people in general exhibit the tendency to justify the existing political system against criticism, because it provides them with a framework of rules that provides them with a strong sense of secu-

city without requiring much mental processing. However, this only works if the system obviously has power, offers desirable career opportunities, has borders one cannot cross freely, and does not allow one to achieve control over one's personal affairs.

In the former communist East Germany, the potential for a threat to the system increased gradually due to the economic downturn and its effects on daily life. Among many other issues, the key factor was the softening-up of borders, through travel arrangements for pensioners to the West, and by some opportunities to resettle legally to the West, albeit with many bureaucratic difficulties. In addition, there was accessibility, although illicit, to Western television in most parts of the country. These factors undercut system loyalty, especially among young people, who foresaw a dim future. Political attempts at strengthening the relationship with them and their desire for Western youth culture failed – the invitation to pop stars from abroad (sometimes with ideological leanings towards the system) to assuage system-critical youth were actually seen by the public not as strength, but as another sign of the weakness of the system. An example of this is described by Kirschbaum (2013), based on files on the Bruce Springsteen concert kept by the secret police (Stasi) in the East and recovered after unification.

In a sense, this is similar to North Korea, although at a lower level of concern for the regime. There are a number of cautious reforms occurring concerning the possibly positive effect of small businesses on the supply of food. However, this constitutes little danger to the system's stability because the overall threat is high, the borders are closed, the dependency on provisions from the government is total, media from the outside are barred, and the number of refugees from the North is less than 2,000 per year (Am et al. 2012; Cho et al. 2009). In other words, there is little opportunity to gain individual self-efficacy in public life other than by serving the system. Moreover, the development of collective self-efficacy (self-efficacy beliefs shared by a social group, such as in a civil movement) is virtually impossible. Furthermore, reactance to the system, rather than system rationalization, is unlikely because there are no educated middle classes, in the Western sense, that are known to have formed or support humanitarian movements (Laurin, Kay and Fitzsimons 2012). The total blockage of news from the outside is incomplete, however, particularly due to illegal CD trade of South Korean entertainment programs through the Chinese border to North Korea.

At this point, a note on psychological research addressing the situation in North Korea is in order. The simple answer is – there is not much. A systematic search in the comprehensive data archive Psycinfo resulted in about 110 entries, many representing empirical studies. There were a few distinct topics among them. First, research on South Korean attitudes toward North Korea revealed an overall negative evaluation (Ha 2013). Second, there was a substantial component of research on mental health among North Korean defectors

to the South. An interesting result of a longitudinal study revealed that it was the combined effect of past trauma experienced in the North and current cultural stress (not stress due to ordinary life events) in the South that endangered mental health, but not stress during defection (Jeon, Eom and Min 2013). Third, childhood malnutrition was also a topic of research, using UNICEF data gathered in the country. It showed wide stunting (reduced growth rate) of development among children and, interestingly, this was less severe in the better supplied capital Pyongyang, with its residential concentration of the political elite (Schwekendiek 2010, 2014). Fourth, studies referred to the economic “reform from below,” meaning the promotion of small businesses. However, it had little political or economic effect (other than what might be expected based on literature on entrepreneurship), except for concerns about possibly increasing social inequality (Haggard and Noland 2010). Taken together, these kinds of studies could not contribute to the topics that are central in this chapter. Consequently, in the remainder, I report the results of my own research, always with a consideration of the Korean situation.

3. Select Research on the Effects of Social Change in Germany

As indicated by our research and in line with the extant literature, the quintessential experience of people undergoing a radical system transition and transformation are great new “uncertainties” about basically all aspects of life. For example, what does an open society mean, how should one train under the new conditions for an occupation, what is necessary to secure a consumer loan, how to choose between many competing sales options, and what is one’s identity in the new country? Such uncertainties are especially relevant when they constitute major developmental tasks of the age groups considered, such as how to establish a career or how to form a family of one’s own, i.e., tasks that most people need to resolve.

In the following, select results of two independent, but complementary, lines of research are reported. Comprehensive overviews on both have been published elsewhere, such as in Silbereisen, Reitzle and Juang (2002), and Silbereisen, Pinquart and Tomasik (2010).

The first line of research refers to the time of German unification and a few years after, i.e., into the mid-1990s. This was the period in which everything was new, and existing obstacles related directly to the recent political and economic system transformation. The case in point comprises changes of important life-course transitions in the early decades of life. The second line of research addresses the situation in the mid-2000s, when the post-unification achievements and remaining disadvantages were overshadowed by the consequences of globalization and the economic crisis that particularly affected

transforming countries all across Europe. These brought a range of new uncertainties that people had not expected to face under democratic rule, such as new economic shocks or new waves of migration. Here, I focus on how people until mid-adulthood dealt with the new challenges emerging in the broader societal context. The common denominator of the research reported is an attempt to elucidate how the manifestations of the change on the macro-level of the political and economic system likely affected individuals' behaviour and development, as well as by what means people attempted to cope with the challenges and adjust successfully. Throughout this work, hypotheses and other references to Korea are added when appropriate. Although the two research lines refer to historically different periods, when taken together, their relevance to today's Korea may be obvious.

3.1 Reorganizing Life-Course and Agency in the 1990s

The life of young people is organized by a series of developmental tasks (or biographical transitions) that are usually resolved in a sequential order. It typically starts with physical changes during puberty, then the establishment of new relations to peers and romantic contacts, followed by the initial formation of plans concerning school and occupation, and finally the transition from school to work or further education. Individuals may differ in the timing of the transitions, and the "clock" behind the timing and the variation comprises a combination of biological maturation, expectations from society, and personal aspirations (Dekovic, Noom and Meuus 1996). German unification brought with it a change of societal institutions, such as the school system and its curricula that had a major influence on education-related developmental tasks. We revealed this by comparing young people in both parts of the country, assessed in 1991, soon after unification when East German conditions were still prevalent. This work was repeated by us in 1996, with independent but equivalent samples, several years into unification, with the newly formed or reformed institutions being operational, and after the occurrence of the first shocks due to rising unemployment.

Concerning occupational development, our prediction was that, in 1991, the timing was earlier in the East due to the fact that a smaller range of occupations was available, and there was a lot of "sponsoring" by the state that encouraged people to enter particular professions that were deemed to be relevant for the economy. In 1996, however, changes in the school system had taken place, with different branches of schools (vocational, academic) dominating instead of the comprehensive form of school that was common in the former East. As expected, the timing in 1996 in the East was later than in 1991, now comparable to the West with its greater freedom of choice and more responsibility for the young. In the West, on the other hand, there was no difference between the two time periods (Silbereisen 2000), indicating that no institutional changes had taken place.

The pertinent question is whether such differences indeed reflect the pulse of unification-related changes. The answer is an unqualified “yes.” In contrast to the transitions mentioned, not surprisingly, the timing of puberty during adolescence did not differ between the periods and countries, implicitly revealing that not unexpectedly the living conditions in the East were sufficient for the requirements of the biological potential of maturation. Among young adults, we found a number of differences in transition timing, reflecting the change in the societal situation. For instance, the timing of leaving home was later in 1996 in the East, due to the fact that forming a family of one’s own no longer provided the advantage of gaining preferred access to an apartment in this country, with its highly regulated housing market (Juang, Silbereisen and Wiesner 1999). Likewise, the postponing of occupational decisions that we found among the young was reflected in a later timing of financial independence among young adults, again comparing 1991 and 1996, but only among those with a vocational, instead of an academic, background. This group was severely affected by the economic challenges (Reitzle and Silbereisen 2000b). Concerning romantic engagements, we observed no difference between the East and West in both periods. Concerning family formation, however, the timing in the East in 1996 was later than in 1991, now similar to the West. This is due to the fact that the labor market was tighter and there was less support available for childrearing in the new Germany (Juang and Silbereisen 2001).

The results reported support the view that a close relationship exists between the societal changes and the organization of the life course. Throughout all of the results, a general observation holds, i.e., those belonging to the lower stratum of education were in a more precarious situation with regard to many developmental tasks compared to the others. This is probably related to the fact that the decline of traditional industrial labor after unification largely eliminated the availability of types of employment to which they had previously been accustomed.

The fact that the timing of those life-course transitions influenced by institutional arrangements obviously differed when the countries were still separated, whereas the timing of transitions mainly under other influences, such as puberty and hormonal maturation, were alike, may indicate that the case cannot be compared fully to Korea. The deficiencies of nutrition in the North (Schwekendiek 2010, 2014) represent conditions that are known to influence the timing of puberty, although whether it is earlier or later (more likely) than otherwise is an issue of debate (Delemarre-van de Waal, van Coeverden and Engelbregt 2002).

Given that there are many intermediate contexts between changes on the aggregate level of a society and the proximate everyday behaviours and expectations of people, the relationship between levels is certainly not a direct one. This assertion is supported by the sometimes longer time that it takes for societal changes to affect individuals’ behaviour, i.e., a so-called “loose coupling” (Elder and O’Rand 1995). This view led us to attempt to identify some of the mechanisms that link the levels. In the situation soon after German unification,

many families were affected by concerns about the security of their (former) public housing at low rents, or family members had to undergo re-training because their qualifications had become obsolete. Other examples are one's or a family member's unemployment or the discontinuation of an apprenticeship. Using the example of our data on financial self-support, results for the age group of 20 to 29 years revealed that about one-third of the timing difference between 1991 and 1996 could be "explained away" by these conditions of family life. Certainly, this is not the only mechanism connecting social change and individual behaviour. In addition, although there may be different mechanisms for other biographical transitions, it reveals the relevance of unification-related changes in life-circumstances for behavioural adjustment.

What do these results on the post-unification situation mean for possible future scenarios occurring on the Korean Peninsula? It is remarkable that, in Germany, five years were enough to change the organization of the life course in areas crucial for the new societal order, such as the development of an occupational identity. Furthermore, it took people from the East more time than in earlier periods to gain independence in various sectors of life. This "moratorium" offered additional time for learning and adjustment to a situation of higher self-responsibility, and it also extended the duration of adolescence and "emerging adulthood." This period is characterized by full physical maturation, but lacks social independence. It is thus known to be prone to status offenses, meaning that people often try to achieve autonomy through peer-oriented illicit actions, such as taking psychoactive substances (Moffitt 1993). In Korea, after unification, a similar quick adaptation of major life course transitions is a likely consequence of the probable change of social institutions, including the negative side effects just mentioned.

Socio-demographic circumstances, such as age or unemployment, are not the only source of differences in individuals' responses to new challenges following a transformation of the political system. For example, a major role is played by personality differences. Of particular interest is self-efficacy, a variable that describes tendencies to believe in one's capabilities to control the results of one's own actions and to exert overall optimism in being able to deal with challenges (Bandura 1995). One can gain self-efficacy and the related self-regulatory competences by various means. The foremost one is success in overcoming obstacles through persistent efforts under one's own control, i.e., personal mastery experiences. Other means include vicarious experiences taken from social models of exercising self-efficacy, and persuasion by significant others that one has reason to believe in one's capabilities and thereby overcome self-doubts. In a communist system with overarching control by authorities over almost all aspects of life, such self-regulated mastery experiences are often achieved in the private domain only.

We were fortunate to have access to a unique longitudinal study that began at the age of 12 years in a large East German city and, after unification, was fol-

lowed-up into early adulthood. Pinquart, Silbereisen and Juang (2004) found an effect of earlier self-efficacy on post-unification life satisfaction and future optimism at age 18, itself a harbinger of life success. Furthermore, self-efficacy buffered unification-related deteriorations concerning family finances, occupational training, and leisure opportunities in their effect on life satisfaction – the relationship was less close if self-efficacy during childhood was high. In other words, self-efficacy can shield the unification-related loss of social capital from affecting future life-satisfaction, and thus constitutes a source of resilience.

What do such results imply for the debate on Korea? A probably valid view is that higher self-efficacy corresponds to greater willingness and competence to deal constructively with the individual challenges of unification affecting the North. It is important to note, however, that self-efficacy cannot last forever, i.e., it needs occasional renewals through new successes in the new system, and this requires responsible social policies that provide opportunities to exercise mastery. Obviously, low self-efficacy is not an exclusively personal problem that simply requires personal change. Rather, the social system in which people live may have impeded opportunities for the promotion of self-efficacy. Thus, in order to induce self-efficacy, change has to occur there first. Finally, one might wonder whether cultural differences between Germany and Korea preclude a generalization regarding self-efficacy and its consequences. This is not so, however, since self-efficacy plays an equivalent role in individualistic (Germany) and collectivist (Korea) cultures. In the former, it contributes to self-directedness, and in the latter it contributes to group-directedness in overcoming obstacles. The common denominator is that people attempt to achieve benefits through their own actions, whether for the individual or the social group (Bandura 1995).

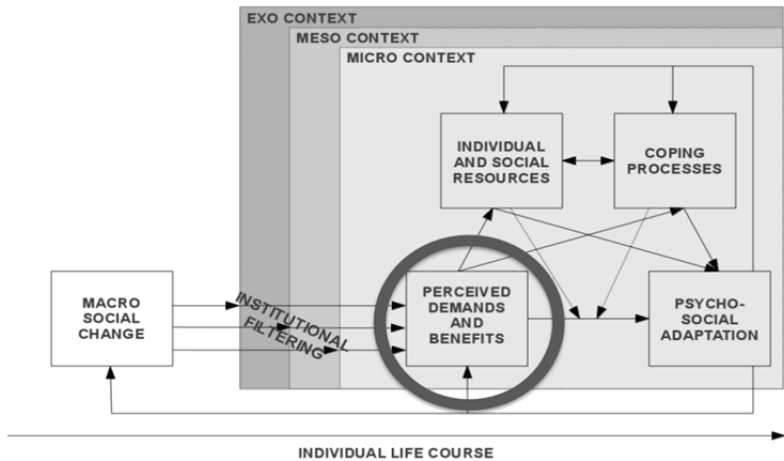
After this examination of the biographical adjustments that the young people experienced under the influence of changed social institutions during the process of German unification, and some of the most prominent psychological prerequisites, in the following, perceived uncertainties particularly affecting the domain of work and career will be discussed, and how people tried to overcome them depending on personal competences and contextual opportunities.

3.2 Dealing with the Challenges of the mid-2000s

In the first decade of the new millennium, we had the opportunity to look more closely at various uncertainties that people perceive vis-à-vis ongoing social change and how they deal with them. This was no longer the immediate situation after unification, but instead a time when unification had begun to settle. However, at the same time, Germany, like other transforming countries in Europe, was severely affected by the negative consequences of globalization, including the financial shocks in the middle of the decade. Large samples for East and West Germany in the age range of 15 to 45 years were gathered. In

addition, for reasons of generalization, the same design was used in collecting a sample from Poland. Our earlier research experience was instructive for a conceptual model of the research that focused on, as manifestations of social change, new demands (uncertainties) and new benefits concerning major developmental tasks in work and family. It further addresses ways of coping and the role of personal resources when dealing with the demands, and the consequences of the process on psychosocial well-being, antecedent to further positive achievements in life. As depicted in Figure 1, this Jena Model of Social Change and Human Development presumes complex direct and indirect relations between the four elements mentioned, reminiscent of psychological and sociological theories addressing how people deal with stressful encounters, rooted in changes to a deteriorated opportunity structure, such as aggravated economic hardship (Elder 1994; Conger and Donellan 2007). The Jena Model is also characterized by the assumption that all of the cognitive-motivational processes are embedded in multiple layers of ecological contexts, from the belief systems at the political superstructure over intermediate contexts represented by social institutions, to the proximal context of the neighbourhoods, and finally the micro-context of the family. The idea here is that social change “cascades down” from the societal level to the individual through altering these contexts. In this regard, the Jena Model was informed by the results of our 1990s post-unification research.

Figure 1: Jena Model of Social Change and Human Development (changed after Tomasik & Silbereisen, 2014)



Interestingly, some research addressing social change in South Korea chose a similar starting point, which is somewhat equivalent to the demands in the Jena Model. For example, Kim (2008) assessed subjective appraisals of the extent,

pace, and evaluation of (negative) change in various domains, such as politics and the economy. In contrast to our approach, however, the instances of change refer to the society at large, and not to the individual experiences of negative change, as in our case. We assessed perceived change over a period of time concerning work (labour market, work place, career development), and family (relationship stability, life's directions, ambivalence in family formation). All of the topics were chosen based on theories and facts regarding the consequence of globalization, economic change, and demographic shifts in the mid-2000s in Germany (Tomasik and Silbereisen 2009).

As the results revealed, the “load” of such demands (number of highly endorsed respective statements) was reflective of the objective situation in the region concerning official statistics, and it also identified the protection of “filters,” such as employment, marriage/cohabitation and higher education, that provided more resources. Furthermore, and not surprisingly, demand loads were higher in the still less prosperous former East Germany. Moreover, longitudinal data showed that the course of demand loads across time resembled that of relevant social indicators (e.g., unemployment rates) on the aggregate level. Obviously, the demands are a subjective reflection of the larger picture in the society.

Concerning people's coping with the demands representing two major developmental tasks, following Heckhausen, Wrosch and Schulz (2010), we distinguish between engagement (actively facing challenges; rallying motivation; and, in the case of failure, alternative plans of action) and disengagement (face-saving attributions or withdrawal, perhaps for better alternatives later on). It was found that engagement was always higher than disengagement, reflecting a cultural habit in achievement-oriented societies, and that engagement was especially high in the former East of the country, probably induced by the higher demand load. This finding was in contrast to the public stereotype, and may be informative for a future scenario in Korea, as well (Tomasik, Silbereisen, Lechner and Wasilewski 2013).

Engagement helped to preserve well-being that otherwise was negatively associated with demands, i.e., the uncertainties indeed functioned as stressors, as we had expected. This effect was stronger, the more that engagement was combined with a sense of control (disengagement in the opposite way) – a result that is reminiscent of the effects of self-efficacy in the 1990s (Gruemer, Silbereisen and Heckhausen 2013; Koerner, Silbereisen and Cantner 2015).

After this short overview demonstrating that social-change related demands require engagement to avoid negative effects on well-being, in the following, a quintessential feature of our approach will be addressed, i.e., the role of ecological contexts in dealing with demands. For that purpose, we compared Germany and Poland, and also political-administrative regions within these countries. The comparison across countries revealed that appraisals of the demands as challenge versus threat and gain versus loss were relevant in Germany, but not in Poland (Lechner, Tomasik and Silbereisen 2014). We interpreted this as a

consequence of the less generous welfare regime in Poland that does not allow “thinking twice” before dealing with the demands. In 2007, Germany spent about 27% of GDP, whereas Poland spent about 18%, for public health, pensions, and other forms of welfare (OECD 2014).

We also examined exploration, a personal disposition to scrutinize contexts and embrace novelty. The idea here was that only higher exploration would help people to actualize the potential in the environment in coping with manifestations of social change. This “reaping” was demonstrated by showing that those higher in exploration reported experiencing more benefits of social change. This was especially so if they lived in regions that offered opportunities – in this case indexed by a higher divorce rate, conveying more liberal attitudes and higher Internet domain registration rates, signaling access to modern technologies. Obviously, personality constitutes an important resource in dealing with social change, but particularly so if there are relevant instigations available in the ecology. This moderation is certainly relevant for Korea because it demonstrates that trusting in personal strength is not enough. Specifically, it also requires adequate environments, which need to be developed and supported by policy intervention (Lechner, Obschonka and Silbereisen, forthcoming).

A final part of this work brings together all of the conditions identified in the Jena Model. We showed that work demands were negatively associated with well-being, and that engagement had positive effects. This applies overall, but when examined more closely, it is found that the association was less (!) negative if people lived in regions with a high unemployment rate. At first glance, this “social norm” or “downward comparison” effect is good news, because it shields people from the possibly negative effects of the ecology. Upon closer inspection, however, it may have a negative effect in the longer term, i.e., those affected by demands may avoid overcoming the obstacles because the comparison with others makes them feel inadequately comfortable (Pinquart, Silbereisen and Koerner 2009, 2010). In addition, we showed that, when living in very poor environments, disengagement, rather than engagement, may have a positive effect on well-being, demonstrating that successfully dealing with social change necessitates flexibility (Tomasik and Silbereisen 2012).

4. Conclusion

The imminent failure of a political system, indicated by a rapid decline in the provision for satisfying personal strivings and empowering collective life, often exhibits early warnings, such as hesitant attempts at economic liberalization combined with actions taken to maintain power through threats. If perceived as evidence of diminishing control, people will experience a mixture of new hopes and old concerns, but also feel a growing agency to challenge the system. The first almost indiscernible decline in loyalty may constitute the beginning of a

cascade of effects that, in the end, can overwhelm the old powers. Although accurately predicting the “tipping point” is difficult, opportunities for exchange between peoples and ideas from other countries are crucial. In this regard, the political system of North Korea may be protected in its existence for quite some time, in spite of its obvious deficiencies in supplying even the most basic needs of its population.

In this report, first, I addressed insights concerning the time soon after and a few years into German unification (1990s). They mainly referred to changes in the timing of important biographical transitions and relevant resources when confronting the societal changes. Second, I reported on how people dealt with the many new demands resulting from ongoing social change a decade and more after unification, in the 2000s, due to the effects of globalization and economic shocks.

As our research demonstrated, the main driver of rapid change in dissolution of a system is the alteration or replacement of social institutions that function as “pacemakers” in resolving developmental tasks, such as preparing for an occupation. This drives even adjacent cohorts apart, depending on their biographical status when the social change occurred. Those who finished their education just prior to unification may have trained for now obsolete professions, whereas those who finished later had time to adapt. Moreover, not everybody is affected to the same degree, i.e., it depends on social capital resources (that often become diminished through the transition and transformation), and on personal attributes gained already in the past, such as self-efficacy and other personality attributes. The factors that connect change on the aggregate level with individual adaptation are the intermediate contexts and related experiences, and this also explains why social change often needs time to actually affect people and change their behavior.

According to our results on the lives of people in the 2000s, uncertainties about the chance to resolve major developmental tasks in an era of globalization are the most dominant psychological features, with major consequences for well-being. Particularly, if accumulated, uncertainties convey the devaluation of past achievements and resources, and affect personal pride. Taken together, they constitute a major source of stress. Nevertheless, even under such conditions, people tend to engage actively in resolving the uncertainties. Moreover, if they are able to bring a positive sense of control in congruence with the engagement, the otherwise negative effects on well-being are minimized. Although in general not adequate, disengagement from the uncertainties, if used in circumstances of radically diminished resources, can be positive.

For the Korean Peninsula, two main insights of our research are probably relevant. First, the complex interplay of uncertainties, coping, sense of control and other personal endowments, and contextual opportunities for economic, social and cultural strivings in the regional context, provide multiple entry points for scaffolding policy interventions. Fostering “agency” (engagement,

initiative, self-efficacy, etc.) is a means to strengthen resilience and productivity under conditions of radical social change. Depending on the age of the people affected, this means educational interventions or change of work conditions and qualifications. The new social institutions in the North after a political change should provide scripts for adequate individual and collective behaviours to secure one's future in a democratic society. Our psychological research demonstrated institutions' power in influencing behavior, which constitutes a potent resource that should be fully utilized. Instead of blaming individuals for their possible ineffectiveness in adapting to the changed circumstances, institutional reforms should be seen as a responsibility of all levels of government. In the German situation, positive experiences were achieved through establishing a model of institutionalized self-government in the former East, providing room for local and regional autonomy (Holtmann and Rademacher 2016, in this HSR Forum). From a psychological perspective, this is likely to be especially critical for the development of individual and collective self-efficacy.

Second, it is important to note that unification has much in common with migration, although it is institutions, and not people, that move. In such situations, people experience a conflict between their wish to retain what they were used to and may have appreciated, and their desire to adapt to new expectations and promises for a good life in the future. Regarding results of research on acculturation, the style of encounters called "integration" is often viewed as prerequisite for future life success, meaning a simultaneous retaining of former traditions and successful adjustment to the new circumstance. In reality, however, especially soon after the dissolution of the system, both new citizens from the North and the receiving society from the South will likely expect assimilation, i.e., low retaining and high adjustment. As in the case of Germany, segregation (high retaining, low adjustment) or marginalization (low retaining, low adjustment) may also exist to a substantial extent (Berry 2005). Wisdom is required from the political elite in the South to recognize that, in order to achieve a unified Korea, both former countries would actually need to change. For this reason, assimilation should not be the preferred mode. In Germany, it also took a long period of time before this simple truth was widely accepted. Moreover, as the resemblance to migration indicates, one needs patience for a process that will ultimately take a generation or more to complete.

A final comment on the particular situation in North Korea – all of the agency factors deemed relevant regarding our research on the German unification situation may be limited among larger segments of the population, due to severe childhood adversities based on malnutrition. These are known to greatly diminish certain important capabilities, such as sense of control. Such experiences may not be overly relevant under sufficient conditions for human development, but may be crucial when confronted in the emerging new Korea, with severe uncertainties in adolescence and adulthood, especially in the North.

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Generations and Social Structures in Socialist Countries: The German Democratic Republic and East Germany in Comparison with North Korea

*Michael Hofmann & Bernd Martens**

Abstract: »Generationen und soziale Strukturen in sozialistischen Staaten: Die DDR und Ostdeutschland im Vergleich mit Nordkorea«. In this paper the development of social structures and generations in the GDR is outlined, and it is compared with developments of the "people's republic" of North Korea in three aspects. Firstly, the emergence of a socialist establishment, that means larger social milieus which are apparently loyal to the state, is interpreted as a basis for stabilization in the GDR and in North Korea. Secondly, in the GDR Western oriented alternative milieus and subcultures became important actors during the political upheaval during the end of the 1980s. There is, however, no evidence of comparable intellectual or cultural counter-elites in opposition to the socialist establishment in North Korea. And third, the history of the GDR is distinguished by a sharply declining rate of integration of the younger generations into the socialist system. The last generations of the GDR are labelled with the adjectives "reserved and unadvised." In contrast to the GDR, in North Korea each new generation seems to experience major historic events which had possibly had a constituting generative effect on some age cohorts. Thus, even the famine of the 1990s became a national challenge whose overcoming were laid in the responsibility of everyone, including the young generation. Finally, the conclusions of these differences between the former socialist states (using the example of GDR) and North Korea are discussed in the paper.

Keywords: Generations, social structures, social milieus, social history of the German Democratic Republic.

1. Introduction¹

In this paper a historical perspective is unfolded in regard to two aspects: social structure and generation. The development of social structures in the GDR is

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outlined and it is compared with the development in the “people’s democracy” North Korea. Indeed, we are in doubt whether the comparison does really justice to the developments in both countries which have a similar historic background of the emergence of Soviet-type socialism after 1945, even if, although they belong to different cultures. That makes understanding difficult, especially if processes seem to be rather weird in comparison with those in modern globalised societies (Cumings 2015). Therefore, this paper has an exploratory and preliminary status.

When describing the socio-structural and generational developments of countries that emerged under Soviet and Marxist influence in the aftermath of World War II, we find certain similarities and parallels. Similar characteristics of the socialist countries were the emergence of a socialist establishment during an early reconstruction period. In the case of the GDR, the fate of the socialist establishment after the social upheaval in 1989/90 is analysed in terms of social structure. In essence, the social establishment lost its political power during the transformation period, but succeeded in defeating its social positions.

During the decline of the GDR the youth played an important role. It can be argued that the young people, who were trained in the post-war GDR for the setup of socialism and who reached leading positions during the 1950s and 1960s, constituted the only true generation of the GDR. The mental distance of the youth and its opposition towards the social and political institutions grew with each subsequent age cohort. The failure of the state, ultimately visible in 1989/90, can also be described as the disability to actually integrate these subsequent young age cohorts in society.

In reference to a comparative point of view, we describe two age cohorts – the “last generation” of the GDR (Martens 2015) and the people who experienced the great famine in North Korea as child or teenager. The decisive difference between the two groups is the lack of resistance or opposition in North Korea, although seemingly growing conditions for an “unofficial culture” has come into existence.

The article ends with three questions concerning future developments of social structure and generation in the case of North Korea. The preliminary and inquiring character of the conclusions underline once more the exploratory status of this paper.

2. Social Structural Similarities in Socialist Countries and the Socialist Establishment in the GDR

All of the socialist countries which attributed themselves as people’s democracies were marked by an historic break with the former bourgeois or feudal elites, which in turn aided the creation of a “socialist establishment” and left a decisive mark on the social structures of these respective countries. The “peo-

ple's democracies" or "workers' and peasants' states" such as East Germany, officially known as the German Democratic Republic (GDR), or North Korea represent (or represented) societies without any recognisable middle class(es). Instead, in these societies we find the masses, i.e. the workers and peasants, on one side of society, confronted by the socialist establishment on the other.

The following explanations provide a brief look at the social history (or history of the social structure) of the GDR and eastern Germany:

The Soviet zone of occupation in Germany after World War II did indeed witness radical changes. The old bourgeois and aristocratic functional elites (businessmen, politicians, bankers, military brass, many scientists, etc.) either fled from Soviet occupation or were de-Nazified, expropriated, and expelled from the country. During a tremendous mass educational campaign lasting from the late 1940s to the mid-1960s, a new generation of teachers, technicians and managers as well as leading administrators, security staff and political functionaries were trained. The early removal of educational barriers and the resulting mass-scale advancement into positions of social status and political power established social lifeworlds in the higher social echelons of the GDR defined by loyalty to the state and the party – this pertained to about 20% of the population, what we term "the socialist establishment."

There were essentially three possible paths to ascend into this establishment:

First, there was political advancement, which can be seen when looking at functionaries staffing the organs of power (state officials, military and security personnel etc.). Those cadres formed the status and career oriented milieu. The main goal in the lives of these people consisted in climbing the social and career ladder to top and mid-level leadership positions and gaining high social status and power. Party and state functionaries, the administrators of state power, primarily attended so-called 'Party schools' to study socialist law, military, Marxism-Leninism, or political economy.

The second path of advancement was restricted to the economic system. The managers and administrators of nationalized industry (plant managers, engineers, technicians) formed the rationalistic-technocratic milieu. The main goal in the lives of these people was making and shaping products, advancing processes, and being efficient. The managerial elite in the GDR had a strong educational background in engineering. The directors of socialist industry had usually studied technical subjects, engineering, and later went through advanced education in socialist economics.

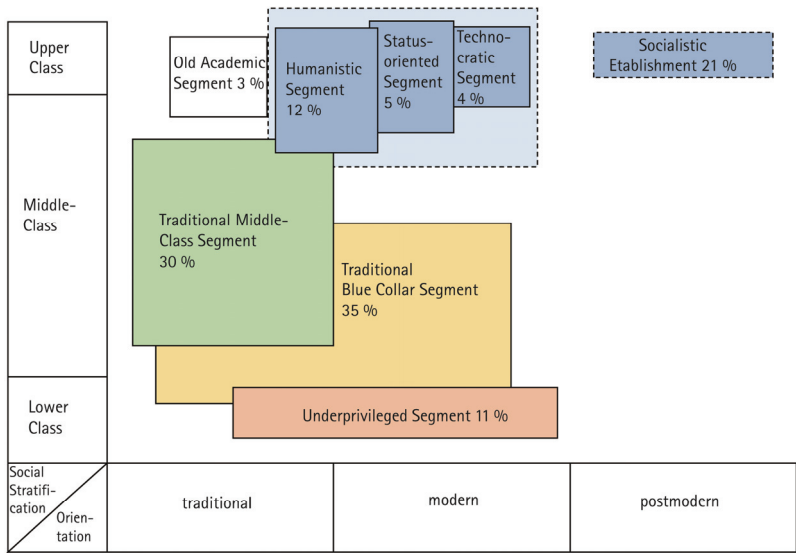
Thirdly, the state exhibited a large demand for socialist culture and education, that is to say, creative artists, university professors, and academic staff who, with intents of enlightening the population, became advocates of (socialist) culture and education. Those cadres formed the humanistic milieu. The main goal in the lives of these people was the fulfilment of duties and social involvement geared towards maintaining and passing on humanistic traditions. This area provided

advancement opportunities for people who have studied social sciences and the humanities, education, journalism or art and cultural studies.

The three social milieus evolved in the first 15 years of the GDR’s existence and only comprised one fifth of the population overall. The socialist establishment showed gratitude to the state for enabling social advancement by education and exercises and high degrees of loyalty towards the socialist system. The loyalty of its functionaries provided one foundation for the country’s social stability.

The experience of widespread social advancement and the establishment and stabilization of social elites following the war left a strong impression on an entire generation. Researchers conducting generational analysis of East German society (so-called ‘generational sociologists’) describe this cohort as the reconstruction generation of the GDR (*Aufbaugeneration*, approximately born between 1930 and 1945).

Figure 1: The Social Stratification of the GDR (1960)



Source: Hypothetical Reconstruction of the social structure, © Hofmann.

In contrast, the bulk of the traditional population, i.e. working class milieus and even petty bourgeois lifeworlds, had no choice but to simply coming to terms with the GDR’s political conditions. The working class environments, in particular, were preserved in East Germany. Right up to the end of the socialist state, social life was heavily shaped by these traditional proletarian and petty bourgeois ways of life.

Following the conclusion of the socialist educational revolution in the mid-1960s, the socialist establishment began to reproduce itself from within, super-

imposing itself on society in the later years of the GDR like a ‘lead plate’ and especially blocking the social advancement of younger age cohorts what had been during the reconstruction period the shaping experience of the first generation. Social mobility declined sharply within socialist society during the 1970s and 1980s – a process that is not unique to the GDR.

3. New Social Milieus and the Problem of Subcultures

Although the GDR offered its younger generations a good education and a guaranteed level of social security, there existed merely few opportunities for social advancement and participation. This led to the emergence of new social milieus in the 1970s for which the formula of integration via social advancement by education did not hold anymore. Due to international diplomatic recognition and the social welfare policies of Erich Honecker, the GDR’s population was able to enjoy mass consumption, mass tourism, and Western mass and music culture in particular, albeit with numerous limitations and scarcities. Individuals, socialised during this period, were able, even in the GDR, to participate in the ongoing modernisation of lifeworlds.

New social milieus began to emerge in this period, but they were unable to establish themselves in society, for they had low chances to climb up the social ladder of the GDR. Lifestyles, oriented towards music or other subcultures, were therefore less and less in touch with or connected to the GDR: Subcultural milieus came into existence. They either found a niche in which they could cultivate their interests and their music, or they created, often under the auspices of the church, spaces for alternative, reform-oriented engagement within the socio-political framework of the GDR (so-called ‘alternative milieus’).

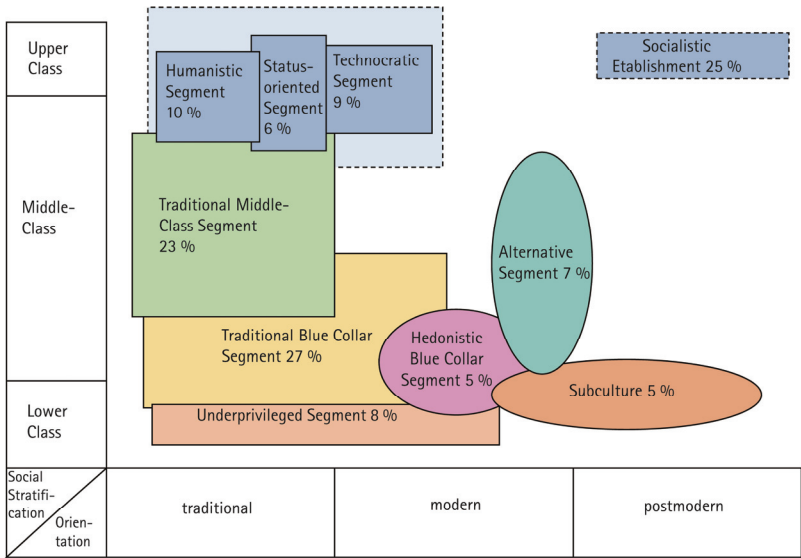
The protagonists of the peaceful revolution in East Germany stemmed from these new social milieus. In this sense, the peaceful revolution exhibited some features of a youth rebellion against the socialist establishment. Young skilled workers (the hedonistic blue collar milieu), for example, were the single largest source of applications for emigration permits during the 1980s, while the young left-alternative milieus could be described as resembling a kind of civil rights movement.

In terms of a generational history, the GDR was only able to successfully integrate the reconstruction generation (*Aufbaugeneration*) into its social structures. This is reflected in the names assigned by generational analysis to subsequent generational cohorts as the ‘generation without boundaries’ or the ‘unadvised generation’ (Wierling 2002; Lindner 2006). The history of the GDR is distinguished by a sharply declining rate of integration for the younger generations.

The SED [Socialist Unity Party of Germany] had from the beginning of their takeover focused on the youth as a carrier of building a new society. But what

initially largely succeeded, got from the mid-1970s more and more into a disaster. The youth was the first age group that the SED could co-opt and it was also the first one which ran ‘out of control’ (Lindner 2003, 33).

Figure 2: The Social Stratification of the GDR (1989)



Source: Presentation of the social milieus of the GDR (Vester et al. 2001, 50).

As a result of the evident decline of both industry and cities during the 1980s, the traditional milieus of the population began to abandon their previously held loyalty to the system in increasing numbers, and reformers emerged even among members of the socialist establishment itself.

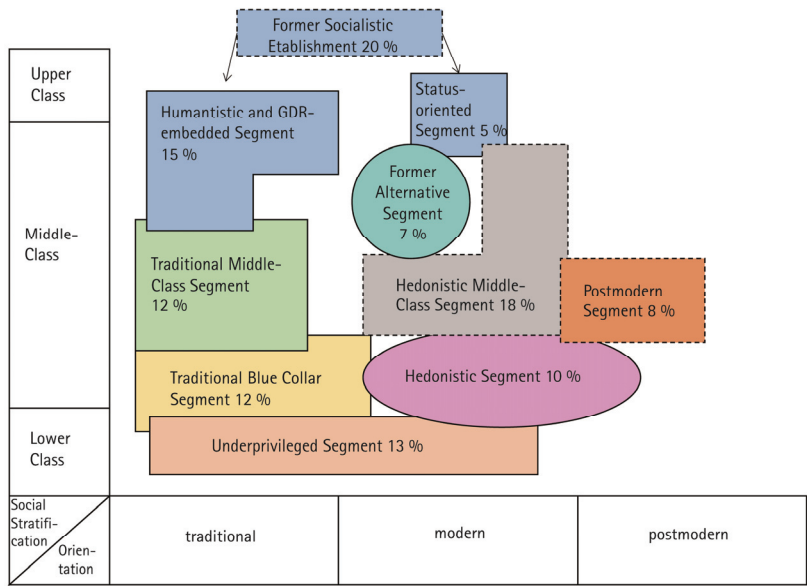
However, the peaceful revolution 1989/90 did not lead to an actual transformation of the social relations of East Germany: The top positions of social stratification remained at the top, the middle classes persisted in the middle, and the bottom of society did not leave the lowest echelons of social structure. In fact, during the years of post-revolution, the social cleavages and inequalities which had already existed in the GDR society only became larger.

The transformation of eastern Germany did indeed lead to an increased level of social mobility; however, this social mobility did not facilitate the social advancement for broader sections of the population. These experiences are the reason why till this day less than half of the East Germans perceive the years since reunification as being a history primarily of gain or improvement.²

² In 2014 Gunnar Winkler asked the question, “Have the years since reunification been [...] for you?” with the following answer options: mainly gain, more gain, gain as well as loss, mostly

A significant factor in this process was the impression that the vast majority of the socialist establishment benefits from the process of German reunification. Despite being excluded from the West German political class, German unification was far more successful in the upper half of society than in the lower half. The socialist establishment succeeded in finding a new reproductive base for itself within the modern service sector. They are highly qualified and already at the disposal of the newly emerging labour market at an early stage.

Figure 3: Social Stratification in East Germany after Transformation (2004)



Source: Ibid., 53.

The numerous functionaries of party politics and social life often managed to secure most of the top jobs in the new emerging insurance, banking and security industries. German reunification worked out best for (or rather for) the higher echelons of East German society. The socialist establishment successfully made the transition into the modern elite of post-socialist society, while the social milieus of the petty bourgeois and skilled workers underwent processes of ongoing shrinkage and social differentiation.

The third significant social force, the new social milieus that had emerged in the GDR since the 1970s, was also unable to achieve social positions resem-

loss, (no indication). In none of the age groups did the items *mainly* and *more gain* receive more than 50 % (Winkler 2015, 43).

bling overall social stabilisation. They went through significant social differentiation. Though a modern middle class did develop in East Germany, it is simultaneously weak and comprises currently only 40% of the population, whereas in the West this figure approaches 60%.

With regard to the topic at hand, the socio-structural results of East German transformation can be summarized in three points:

- 1) Generational succession in the GDR is marked by a sharply declining rate of integration of younger generations in the socialist society.
- 2) During the aftermath of the political upheaval in 1989/90, the former socialist establishment could successfully defeat their elevated social positions, although it was excluded from the ruling political class.
- 3) The middle classes of the social stratification ran during the same time period through social differentiation and modernisation processes. However, especially the deindustrialisation of East Germany and better job chances in the western part of the country caused a significant population exodus in parts of the middle lifeworlds. That will have lasting effects on the East German society in the future.

4. A Comparison of East German and North Korean Generations

4.1 The Notion of Generation

The concept of “generation” is resorted in historical and social sciences to describe age groups in a region who live at the same time and have similar experiences. The background of common experiences and their individual processing lead, in theory, to similar attitudes, values and opinions. Such comparable life images on the base of shared experiences are what generations characterize. A generation does not describe an entire age group or even the majority of it, but especially historians use the term generation to describe features of groups of people in order to provide examples for enabling insight into social and historical processes.

Generations are especially formed in adolescence or in young adulthood. During this phase of life personality is formed. This is an individual process, but embedded in the common background of experience of that generation. From this statement the conclusion can be drawn that the unifying power of historical situations or events, that may have a generation building effect, relates to the extent and the intensity of social episodes and processes. Therefore, drastic historical events such as wars, revolutions or social crises are used in the description of generations, because it is expected that their, perhaps only short-term, effects on younger groups of population are stronger than that of a more continuous social change.

In the following, the hypothesis is pursued that dramatic events may have generation-building effects on certain age cohorts of young people. We combine an age oriented approach with the question whether some indications exist that these group of people actually perceive their social world in some similar way, different to former or later cohorts. The summarizing term ‘generation’ is used to describe these groups. By following this well-established approach often used in historic science, the existence of these generations is not proved, but such working hypothesis is effective in interpreting empirical facts. The two generations in the specified sense are the “last generation” of the GDR (Martens 2015) and a comparable generation of young people in North Korea.

4.2 The Last Generation of the GDR and the North Korean of the “Arduous March”

Several studies analysed the age cohorts of people born in the beginning of the 1970s till the beginning of the 1980s. These people had been socialized in the GDR. They experienced the political upheaval in 1989/90 and the early years of transformation as teenager or as child. Bernd Lindner (2006) suggested a summarizing descriptive term for this age cohort. According to him it is the “unadvised generation.” This term denotes the circumstance that the traditional agents and institutions of education at least partly failed during the early transformation period, because they, themselves, were occupied by dealing with the social and political change. The unadvised generation had only the choice to master “the new by itself” (Lindner 2006, 112). Although this generation was indeed socialized in the GDR, one can assume that its identification with the socialist system was rather low during the 1980s. As the foregoing age cohorts, its dreams and interests were largely Western-oriented. The opening of the border and the unified Germany offered large new opportunities for this generation.

Interviews with men and women of this age group give an impression that, for instance, new courses of academic studies that have been introduced after the political upheaval were perceived as “release from strictly regulated life paths” (Stutz 2006, 142). The need for “self-realization,” a more western influenced ideal for youth times, won a real meaning for this generation. Generally, however, the realization of new opportunities often implied the exodus from East Germany. Long-term panel surveys of people born in 1973 in the GDR show that up until now one quarter of them has migrated to West Germany or abroad, primarily because of poor job opportunities in East Germany. The majority of them does not regret this decision, the degree of satisfaction is higher among emigrants than among those who stayed in East Germany (Berth et al. 2010, 191).

From the temporal distance of more than two decades, four types of common experiences of the unadvised generation during the period after reunification can be identified:

- Firstly, 70% of respondents of the sample of the East German age cohort 1973 were at least once unemployed since the unification. Many of them have had recurrent experiences with times of unemployment.
- Secondly, “double identities” have emerged. Many people of the unadvised generation “feel as Germans [citizens of the unified state], but without giving up their solidarity with the GDR” (Berth et al. 2010, 190).
- Thirdly, this also, has to do with the GDR socialization that “has sustainable long-term effects.” “This especially concerns the former everyday life at the social level” (Berth et al. 2010, 190). Contemporary studies confirm the strong impact of these views of life and narrations also on subsequent age cohorts (Martens 2015).
- Fourthly, current social problems in Germany are often compared with the situation in the GDR, but this does not mean that one wants to install the old system again. These comparisons seem to be an opportunity to criticize and discuss today’s issues in Germany (for example the educational or health policy).

For North Korea a succession of generations is discussed, which certainly have similarities to proposals for the generation structure for the GDR (Table 1):

Table 1: Generations in the German Democratic Republic and in North Korea

GDR	North Korea
Generation of mistrustful patriachs (1895–1910)	Generation of the anti-Japanese struggle (from 1910)
Reconstruction generation (1930–44)	Generation of the Korean War (from 1930)
Integrated generation (1945–59)	Generation of leaders of the cultural revolution (from 1950)
Reserved generation (1960–74)	Generation of the “arduous march” (from 1970)
Unadvised generation (from 1975)	???

Sources: Ahbe and Gries (2011); Lindner (2006); Cho et al. (2014).

In the following we will restrict our attention to age cohorts that were presumably affected by social change in some way similar to the last generation of the GDR. People born around between 1985 and the 1990s witnessed the suffering of the great famine in North Korea, the so called “arduous march,” as a child or adolescent. This age group currently comprises approximately a quarter of the North Korean population. Presumably in 2023, the proportion of people with an age under 40 years will reach about 55% (in 2013 this percentage was 45%, Cho et al. 2014, 19). The importance of younger generations will therefore increase in North Korea.

There is consent in research on North Korea that the “arduous march” represented a deep societal incision in North Korean history. During the period 1995–97, according to unconfirmed sources, up to 2 million people died (Frank 2015, 564), representing about 8% of the population. A severe famine in a

relatively highly industrialized country whose economic growth rates in the late 1950s were probably the highest in the world and its standard of living was up to the 1960s higher than South Korea's (Armstrong 2014, 428) is a historic singularity. Nevertheless, this event fits into a long-term global trend. According to Charles Armstrong (2014, 415), the arduous march depicted the sad North Korean culmination of global developments since the 1970s. "The economic catastrophe of the 1990s was also the crisis of the industrial city in North Korea, and a belated effect of the crisis of industrial modernism throughout the world that begun in the 1970s." The widespread transformation of industrial economy visible by the emergence of "rust belts" of old industrial sites across different countries, and the end of cheap energy were global economic trends, which ultimately contributed also to the dissolution of the socialist system of states and the Soviet Union.

The North Korean political system survived this decline in the early 1990s and the succeeding famine, however. Astonishingly, the societal catastrophe of the "arduous march" even won a socially unifying force during its aftermath, similar to the Great Patriotic War (1941-45) in the Soviet Union. "As further history has shown, 'the spirit of the arduous march' at the height of Great Famine of the late 1990s-early 2000s proved to be one of the most successful propaganda campaigns in the DPRK's history" (Gabroussenko 2014, 3). In accordance with the official North Korean interpretation, the nation had jointly overcome a serious existential crisis and together drew new strength. This official North Korean interpretation is presently the single one, although the "arduous march" (comparable to the Great Patriotic War) can also be interpreted as a partial collapse of state's and party's organisations (Gabroussenko 2014).

Economically, North Korea faced a de-industrialization in the 1990s which could be observed in various transition countries, too, although there are much less dramatic economic implications. The food shortages affected just the old North Korean industrial centres. The agriculture became more important, and markets originally initiated in the early 1990s came more into existence to provide food supply in the aftermath of the famine.

If one tries to classify this historical situation, the "arduous march" is an abrupt event, a profound social disaster that had in particular hit the population of industrialized regions. Its effect on social life and on the individual is only comparable to a war. In contrast to that, the process of marketization denotes a continuous economic and social change. Corresponding to theory, the "arduous march" should have had a generation creating influence, because of its overall effect on society, while the marketization should have rather won an impact on the socialization of young people, for whom various types of markets became part of their usual everyday life.

Consequently, the authors of a recent publication of the Korea Institute for National Unification (KINU) on "The emergence of a new generation" in North Korea state that the generation forming experience of the "arduous march" was

the collapse of state power (which contradicts the official interpretation of this societal disaster). In this study the age cohorts of a “generation of the arduous march” are younger than that of the previously mentioned proposal of a general generational scheme for North Korea. We will use this suggestion of the KINU in the following, because it provides some comparative opportunities.

The individual and its family could no longer rely on the state’s distribution system, instead they had to be active for themselves (Cho et al. 2014). According to Lee and Kwak (2014, 631), social “survival networks” had fundamentally changed in North Korea before and after the 1990s: Previously, the local party organization, labour relations, management and family had been important. The orientation of social life at the workplace could also be observed in the GDR and other socialist countries. After the “arduous march,” the situation in North Korea entirely changed: Markets, the family, and relatives were now central to survival networks. It seems to be a growing tension between these survival networks and the official interpretation of the great famine that “downplays the role of blood ties and real families,” instead “it presents a collective and a society in the mode of classic good family” (Gabroussenko 2014). It remains an open question how these contradictions are solved within the North Korean society.

At the same time, the famine had hit families very existentially: “The extreme shortage of food during the economic crisis, death and illness of family members, and the participation of women in economic activities, has significantly decreased the stability of family and increased the dissolution of families” (Cho et al. 2014, 20). However, to which extent the individual and family traumas of that time had actually formed a generation, cannot currently be answered, because statements of or studies on the affected individuals are lacking. Additionally, the state succeeded in pushing a heroic interpretation of the arduous march that devaluated individual catastrophes and family ties.

Processes of marketization have been in existence for almost 20 years in North Korea, hence one has to assume that it became a usual socializing environment of a hypothetical generation forming during the “arduous march” as well as later age cohorts. Accordingly, it is assumed in the already mentioned KINU publication that markets are common for these younger populations, not only for basic supply, but for them a “market environment is a space of consumption, a space of communication, a space of sense, and a space of desire”(Cho et al. 2014, 34). At the same time, however, this marketization and a wider variety of information about the world outside apparently are not connected with criticism of the political system or opposition.

Despite the fact they [the young people] become aware of a different world through foreign culture, the acceptance and propensity towards foreign culture do not lead to direct criticisms of the system. This is because the gap between their reality and the foreign world which is conveyed through culture is too large (Cho et al. 2014, 26).

Even among North Korean refugees in China, the approval for the official policy is, according to South Korean surveys, surprisingly high. According to South Korean sources, the agreement to Kim Jong-un's policy reaches 50-60% among North Korean refugees in China (information of South Korean co-operation partners, November 2014). Although it is emphasized that the younger generation is rather apolitical and that it nevertheless feels a gap between the official language rules and its personal daily life (Cho et al. 2014, 24).

Not only markets have meanwhile become part of everyday life of the younger generation, but also the perception and experience with some of its unintended consequences, such as poverty, regional and social inequalities. Such differences would be accepted and used for personal distinction gains, as it is also common in Western societies among young people: "Among the new generation, there exists a differentiation of hierarchy and class through one's cultural taste imitation, and representation" (Cho et al. 2014, 31).

Based on 40 interviews with North Korean refugees born between 1985 and the late 1990s, case studies are created that are summarised to three types of generation affected by the arduous march (Cho et al. 2014, 54):

The first type can be called *social outsiders*. Traumatizing experiences as death of family members were common for this group of people, and these events led to disintegrative tendencies of the families in question. Different types of deviant behaviour of adolescents and young adults can be observed in the sample. This behaviour even includes criminal acts.

Adaptable young people build the second type. They willingly meet the formal social and political requirements of the North Korean society, apparently not only to achieve personal success and benefit, but also because of conviction. The escape from North Korea seems to be in this context as a random event and partially stands in a strange contrast to the previous life of these persons.

The third type seems to be adapted at the first glance, but the North Korean "normality" is in essence solely outward. These adolescents and young adults test various strategies to undermine the officially tolerated behaviour for their personal benefits. Accordingly, this third type represents a *fragile normality* that gives hints for some hidden frictions within the North Korean society.

It is not possible to compute statistical distributions of these types. The study delivers a qualitative exploration of a hypothetical generation effected by the "arduous march" on a quite small empirical base.

Table 2: Comparison of the Unadvised Generation the Generation of the Arduous March

Aspects	Unadvised generation	Generation of the arduous march
Age cohorts	1970-85	Born after 1970, in the KINU study about 1985 till the late 1990s
Generation forming event	The political upheaval of 1989/90 in the GDR	The severe famine in North Korea, 1995-97
Primary effects	Uncertainties, new options	Comprehensive existential crisis, loss of family members and other related persons, signs of social disintegration, probably psychic traumata
Experience previously	Childhood and youth in "socialistic paths" influenced by Western culture and media, partly some kind of "double life", everyday life in the GDR and cultural orientation at the West, family cohesion against political and societal spheres, private niches, but also opposition against the state	Childhood and youth in "socialistic paths", strong separation against foreign influences and information, strong position of official institutions in comparison to family structures
Experiences afterwards	Transformation period, individualization, new freedom and opportunities, but also new social problems, for example unemployment, parents and teachers are seen as weak, "phantom pains" (Lindner 2006,112), because of the suddenly disappeared GDR	Marketization, regional and social inequalities, declining importance of the workplace, of the party and of the administration for coping everyday life, growing impact of markets, families and relatives for survival, at the same partly dissolution of family structures owing to death of relatives, more information about foreign countries, but no indications of a declining loyalty to the political system

Finally we confront the *unadvised generation* with the *generation of the "arduous march"* (Table 2). There are similarities, but the differences outweigh in some decisive topics.

- The "arduous march" was a social disaster whose effects were comparable to a war. In contrast to that, the social upheaval of 1989/90 will have had far less traumatizing effects, especially on families and the youth.
- A long time before the social change actually occurred in the GDR, the country was socially and economically destabilized. Symptoms of these processes were the growing alienation of young people and their cultural orientation to the west. The same cannot be depicted in the case of North Korea. The country instead survived the collapse of the socialist system of states and the catastrophe of the "arduous march" became, according to the recent official interpretation, the unifying heroic test of the nation.

- Partly, processes that can be observed in North Korea after the “arduous march” began in the GDR before the political change of 1989/90: the growing importance of kinship in contrast to administration and party as well as easier access to foreign information and cultural goods.
- The crucial difference – that has also been raised in the part of this paper about social structures – seems to be that new information sources and access to foreign cultures do not visibly undermine the loyalty of younger generations to the state and the political system in North Korea. At the moment it cannot be estimated how fragile this normality is. There is an ongoing discussion in the North Korea research on the stability of the political system. During the last years the point of view has become stronger which, for example, Dae-Sook Suh uttered at a conference in 2014, “North Korea is an underdeveloped, poor, and isolated country, but its political system is resilient and stable” (Suh 2014, 32). In comparative perspective one can add that this resilience denotes a remarkable and decisive contrast to the GDR.

5. Conclusions: Three Questions Arise from the Comparison of the Development in the GDR and North Korea

When comparing the depicted developments to conditions in North Korea, the following questions arise:

1. Can the GDR’s socialist establishment be compared to the *nomenklatura*, the circles of political leadership in North Korea? Does a socialist establishment also exist in North Korea?

In North Korea, primarily the military elites and political functionaries, which originally emerged during the liberation struggle against Japan and again in the course of the Korean War, were engaged in and responsible for reconstruction and the subsequent reconstruction period. These functionaries enjoyed unique political privileges and are given exceptional status as revolutionary leaders to this day.

This military-political establishment was reinforced and expanded by the leaders of the cultural revolution of the 1970s and 1980s. In any case, we can safely assume that North Korean society is not divided into a very small ruling clique on one side and the traditional (people’s) milieus on the other, but rather that North Korean society also comprises larger social milieus which are apparently loyal to the state. These groups can be conceived of as North Korea’s socialist establishment. The scale of this establishment, that is to say the percentage of the population that belongs to the North Korean socialist establishment, has yet to be determined. Nevertheless, this establishment will likely play an important role in any process of Korean re-unification due to its elevated educational and social status.

2. In the GDR, new (alternative) lifeworlds emerged that were strongly connected to and were identified themselves with the Western world's orientations in terms of consumption and social values. These lifeworlds ultimately became important actors during the political upheaval in East Germany. Are there similar lifeworlds oriented towards Western consumption and social values developing in North Korea?

The relative isolation of North Korea from both the Western world as well as from relatives and family members in South Korea makes a shift in values and a revitalisation of the cultural awakening of the 1970s by the citizens of North Korea rather unlikely. The relevant question, then, is whether cultural counter-worlds, alternative thinking or networks of individuals interested in international culture or music were able to develop in North Korea over the past 20 years. Lee and Koo (2015) discuss some conditions for emerging an "unofficial culture" in North Korea in opposition to the domestic official culture. They mention:

- growing values of property and wealth among the population;
- the influence of trade with foreign countries (one can often read in North Korean literature that foreign culture and products are a "scale for good quality" [Lee and Koo 2015, 486]);
- the emergence of young generations that are, for instance, alienated by the failures of state during the "arduous march";
- a decline of official education;
- the increasing use of new media that would find their way to North Korea, although they are officially forbidden;
- the marketization which, for example, produces new not controllable networks between people;
- and growing segregation of society.

But the authors do not confirm that the unofficial culture, which they assume being already in existence, has currently been turned towards a culture of resistance. So far, at least, there has been no evidence of an intellectual counter-elite in opposition to the socialist establishment emerging in North Korea.

When discussing North Korea, it would make sense to ask what long-term effects growing markets and the significantly expanded social strata of merchants and traders will have on the emergence of alternative modes of thinking and autonomous ways of life. It is undecided whether an increasing orientation towards Western standards of consumption will produce growing popular pressure to be permit leaving the country and travelling freely, as happened in the GDR.

3. Finally, we should ask: Will North Korea exhibit a similar decline in the integration of younger generations as was the case in the GDR?

In contrast to the GDR, in North Korea each new generation seems to experience major historic events which had possibly had a constituting generative effect on some age cohorts. Even the famine of the 1990s (which can be attributed, at least in part, to failures of the state) thus became a national chal-

lenge whose overcoming were laid in the responsibility of everyone, including the young generation. As mentioned, some authors suppose the existence of an “unofficial culture” especially among the youth as a prerequisite of possible resistance in the future. Other studies reveal a “fragile normality” among young people who seem to be well adapted to North Korean society, however under this surface “deviant behaviour” contradicts the normality. But there exists a remarkable divergence to the GDR: Up to date, no declining levels of integration of younger age cohorts can be observed in North Korea.

Capitalism had shown in the course of the 20th century its extraordinary characteristic of integrating opposing youth cultures as well as transforming, for example, original subversive underground movements into entertainment business. Currently, it remains open, whether North Korean society will resist the maelstrom of western culture and exhibit the integrative power in regard to younger generations in the future.

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Political Elites in Transition and Unification: German Lessons for the Korean Peninsula?

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Abstract: »Politische Eliten in Transformation und Wiedervereinigung: Erfahrungen aus Deutschland als Optionen für Korea?«. The following paper investigates the role of political elites in the prelude to and trajectory of German transition and re-unification since 1989 and takes it as a point of departure to identify experiences transferable to the situation on the Korean peninsula. Thereby it builds upon the German experience and contextualises it within the international research on elite theory and political transition in order to distinguish between general results and those specific to Germany. The structures of North and South Korean elites as well as changes in these structures will be analysed in order to identify similarities and differences vis-à-vis developments in Germany. Lastly, in light of these underlying conditions some conclusions will be drawn concerning potential future developments in North Korea, thereby assessing the transferability of German findings as well as their potential for generalisation. In methodological terms, this paper is a comparison between Germany and Korea, albeit with an asymmetric comparative perspective, in the sense that the trajectory of transformation and re-unification is well-known in the case of Germany, while considerable uncertainty persists with regard to possible scenarios for the Korean peninsula.

Keywords: Elites, Transformation, Korea, Germany, German Unification, Representation, Elite Change, Regime Change, National Integration, GDR, East Germany.

1. Introduction¹

The theoretical foundation of our contribution is provided by the ‘new elite paradigm,’ according to which the establishment of a stable and pacified political order always necessitates agreements among elites in which relevant elite groups reach an understanding concerning the access to and distribution of

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¹ Findings for Germany are based on the research of the projects A1 and A3 of the Collaborative Research Centre 580 at the Friedrich-Schiller University (Jena) and the Martin-Luther University (Halle-Wittenberg) between 2000 and 2012, which investigated the premises, structures and consequences of transformation in Germany and Europe since 1989.

power in a given or future political system (Higley and Lengyel 2000; Higley and Burton 2006). Elite groups are therefore key to the success or failure in processes of transition or unification. National unification can only succeed on the basis of an integration of perhaps not all, but at least large sections of the involved territorial units' elites, that is, by reinforcing their interest in the establishment and consolidation of unification. Yet the key insights of the new elite paradigm extend even further: Elites can cooperate even in the absence of institutions grounded in an underlying consensus provided that such cooperation permits them to pursue their own interests. Such an 'antagonistic elite cooperation' (Best 2009) could be observed over long periods of German division. It resulted in the preservation of a common society in two states during the years of division and was thereby key to successful German re-unification in 1989-90. The national (re-)integration of East Germany, however, would have been equally impossible without the replacement of the communist power elite's top echelon before the collapse of the German Democratic Republic (GDR), coinciding with the ascent of secondary and functional GDR elites,² who received numerous opportunities for inclusion and advancement in eastern Germany. This process facilitated the rapid formation of a structurally and normatively integrated all-German political elite. Correspondingly, no relevant political actor today questions German re-unification, and no particularistic, let alone separatist, tendencies can be found. However, this rapid integration of elites also engendered a distance on the part of the East German population towards democracy and its central actors.

The theoretical analysis and empirically informed depiction of antagonistic elite cooperation up to 1989 will be elaborated in the following (2). Subsequently, the development of the social structure of the GDR and later East German elite and their paths of recruitment will be examined (3), as the adaptability of the social structure of elites in the East and in the West represents a crucial precondition for the successful integration of elites in Germany following the exchange of power elites already completed in the GDR. The next section then addresses this exchange of elites as well as depicting subsequent elite integration and its resulting effects in terms of political representation of the population (4). In a next step, the social structure of the GDR and later East German elite is compared to that of current North and South Korean elites. This allows for an assessment of interests and motives of Korean elites, and those of

² 'Elites' are those collective and individual actors who occupy central leadership positions within their respective political and social subsystems. The term 'functional elites' includes persons who hold leadership positions in the various sub-systems and are thus in a position to influence developments concerning society as a whole, while the power elite is characterised by the ability of its members to actually decide on and implement measures that affect society as a whole. 'Secondary elites' denotes persons who occupy subordinate positions instead of actual leadership positions, but who have good chances of advancing into a top-level position at some point.

the North Korean one in particular, in a context wherein reconstructing the attitudes of the actors involved is often difficult (5). In the conclusion, we turn to possible scenarios of developments resulting from this comparison and the theoretical implications of the analysis.

2. Antagonistic Elite Cooperation before 1989

The political elites in the Federal Republic of Germany (FRG) and the GDR cultivated a particular, because antagonistic, form of cooperation. The term ‘antagonistic cooperation’ was coined by the early American sociologist William Sumner and describes a situation in which adversaries pursue their respective special interests in a cooperation restricted to certain areas of their relations (Best and Vogel 2014). This cooperation is based neither on common values nor on close social ties, nor does it require resolution of the conflict at the root of the antagonism. Antagonistic cooperation requires, however, mutual trust in adherence to common agreements, as no institutions exist that could enforce them. Moreover, both sides must assume that the conflict will not be settled in favour of one’s own side in the foreseeable future, be it through military action or any other measures that may cause either one of the antagonists to break down.

The elites of the FRG and GDR, respectively, may well be described as antagonists, because they were representatives of two incompatible political and social systems whose relationship ranged from peaceful coexistence to the mutually declared will of both sides to pursue a hostile takeover of the other. Yet owed to their incorporation into a global confrontation between two power blocs, which in fact granted some degree of stability, changes in the situation seemed unlikely in the near to medium term. Furthermore, elites in both the FRG and GDR shared cultural traits and a common national history, particularly including the experience of World War II and thus an awareness of the dangers threatening Germany should the conflict between East and West escalate. Against this backdrop, elites of both states cooperated throughout the country’s period of division, right up to the day of re-unification. That said, this relationship was frequently tested, such as during the popular uprising in the GDR in 1953, the construction of the Berlin Wall in 1961 or the repeated disagreements over the status of West Berlin. Outcomes of this cooperation, such as economic and financial aid for the GDR in exchange for ‘humanitarian relief’ with respect to intra-German traffic of people, goods and information, were formalised in several agreements. The most important of these was the Basic Treaty of 1972 (*Grundlagenvertrag*), which entailed the FRG lowering down its claim to sole national representation and confirmed the recognition of the GDR as an independent state (Block 1986, 1993; Bender 1996). For the GDR elite, this represented one of the main goals driving their antagonistic cooperation in the first place, namely reinforcing the legitimacy and thus the stability of their own

state. Other motives included the prospect of economic support and access to western European export markets (Kruse 2005). This economic aspect played an increasingly significant role beginning in the 1980s, as part of an attempt to deal with mounting trade deficits and the threat of negative credit rating, as well as cultivating more independence from the Soviet Union, its economic problems and, in particular, its attempts of political reform. For West German elites, the desire to influence the GDR's overall situation aimed at changing it ('change through rapprochement' (Egon Bahr)),³ as well as the prospect of humanitarian relief to soften the material consequences of Germany's division, served as central motives.

In fact, these intended goals were realised, at least partially. The GDR elite received formal recognition of their statehood and access to western European export markets, and were simultaneously able to meet creditors' demands in spite of their state's dire economic and financial situation. The stabilisation they desired, however, would only last until 1989: Access to western European markets, although certainly earning foreign currency for the GDR, came at the price of reduced investment in the maintenance and expansion of domestic productive capacities, while efforts to increase independence from the Soviet Union resulted mainly in a decrease of Soviet support for the preservation of the GDR as an independent state.

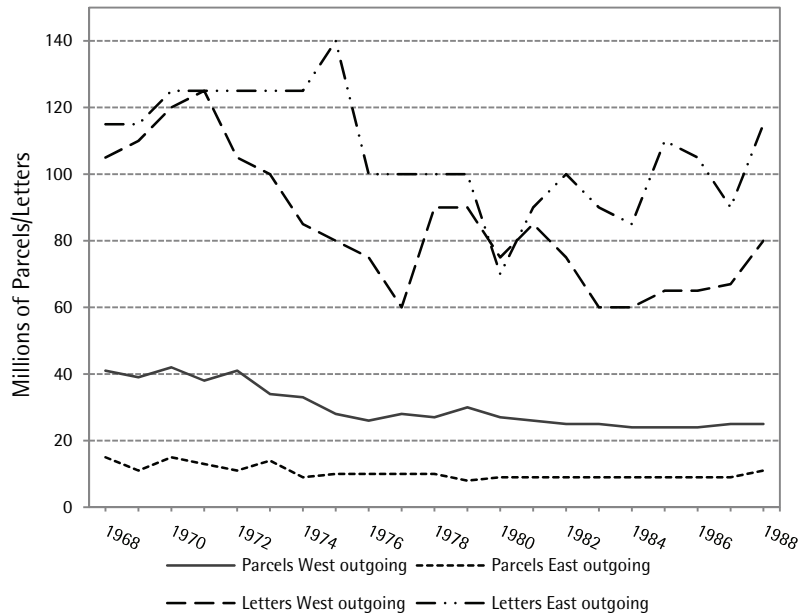
Whether or not the FRG's elites were able to achieve their goals remains open to interpretation, for despite the intended change through rapprochement, the GDR's regime was able to suppress almost all signs of political opposition until the spring of 1989. On the other hand, it can be clearly seen that the GDR's abrupt transformation in 1989-90 and subsequent re-unification would not have happened in the context of a policy of isolation or containment, and, on the other hand, *without* humanitarian relief, the maintenance of close economic ties between East and West Germany, the GDR population's access to West German media or the inclusion of the GDR in the Helsinki Process.

With regard to the subsequent re-unification, the non-intended and indirect effects of elite cooperation deserve special consideration. Elite cooperation secured the continuation of family and friendship networks and close economic ties between the two German states, ties which in turn contributed to the persistence of elements of a common German society and economic space. It can be demonstrated, for example, that the intensity of communication between the two German sub-states did not, despite the ongoing separation, decrease around the 1970s, but, on the contrary, increased again during the 1980s (see Figure 1). Moreover, intra-German patterns of communication tended to resemble those

³ Egon Bahr, one of the architects of the FRG's foreign policy towards the communist countries, in particular towards the GDR and the Soviet Union, since the late 1960s (*Neue Ostpolitik*) used this term first in a speech (15 July 1963) to describe the basic idea of this new policy.

within a single society rather than those between two distinct societies (Best 1990 [2008]). Continuing notions of and hopes for *national* solidarity and loyalty preserved re-unification as a quasi-natural political option, even if its implementation was conceived as a long-term effort. Consequently, neither the vast majority of the East German population nor the elites in both GDR and FRG considered the continuation of the GDR as state a serious option in 1989.

Figure 1: Postal Traffic between the Federal Republic/Berlin (West) and the GDR/Berlin (East)



Source: Best (2008 [1990]).

However, antagonistic elite cooperation came to an end in 1989 when a profound asymmetry developed between the elites in the FRG and the GDR. In light of the mass exodus from the GDR and mass demonstrations within it, and especially after the fall of the Berlin Wall in 1989, West German elites were able to assert their position of economic and financial superiority as well as their international standing, while GDR elites, confronted with meagre support from the Soviet Union and mass protests on the part of the domestic population, became paralyzed. West German elites were therefore no longer dealing with an antagonist on equal footing. By the time the Berlin Wall fell and re-unification was firmly on the agenda, West German elites had every reason to doubt that their erstwhile GDR counterparts would remain much longer a useful instrument for influencing GDR politics. These doubts were confirmed by the first and last free elections to

the GDR parliament, the so-called People's Chamber (*Volkskammer*) in 1990, which ratified the exchange of elites and allowed a new GDR political elite to establish itself sharing a fundamental democratic attitude and desire for national re-unification with the West German elite. The relationship between the new GDR elites and the old FRG elites, however, was no longer characterised by antagonistic cooperation, but instead followed the logic of asymmetric integration. One crucial premise for that integration of elites in unified Germany, and subsequently national integration, were successful under these conditions can be found in the structure and recruitment patterns of these new GDR elites, whose origins date back to long before 1989.

3. Structure of the GDR Elite and Changes to it Prior to Re-Unification in 1990

Primary criteria for the recruitment and subsequent careers of GDR elites up to 1989 included ideological conformity, loyalty and efficiency (Salheiser 2009). However, vertical and horizontal differentiation among the GDR's power and functional elites in terms of patterns of recruitment and career trajectories, that is to say, the specific weight of recruitment criteria, corresponded to the respective social sub-sector and the level of position in question. Apart from demographic characteristics (such as gender and age), the possession of social and cultural capital (social networks and educational degrees) proved particularly decisive.

Until roughly the mid-1960s, an aggressive education and recruitment policy ensured that elite positions were staffed with persons from working class backgrounds who demonstrated loyalty to the regime. This policy served to put an end to the 'bourgeois educational privilege' and simultaneously helped the ruling Socialist Unity Party (*Sozialistische Einheitspartei Deutschlands*, SED) consolidate its power. By the late 1960s, however, these same forms of social and cultural capital – and thus of the elite status itself – were increasingly passed on through familial inheritance. As a result, opportunities for education, power and inclusion for members of the lower ranks of the working class and white collar workers diminished significantly.

Within the central elite circles concentrated in the military and security apparatus, families in which up to four generations were closely linked to the state and the party ideologically, biographically and professionally, known as 'red dynasties,' were a typical occurrence (Best 2012). The mid and top-level elites in the economy, the sciences, and the health sector often came from the educated middle class and commonly exhibited outstanding professional qualifications and, sporadically, a 'relative distance to politics.' Ultimately, however, professional and ideological criteria were never fully separated, preventing a complete professionalization of elites in the western sense. Until the system's

collapse, the primacy of the SED effectively determined employment choices – as it did in all important issues.

Besides the increasing self-recruitment, holders of elite positions furthermore remained in their offices and functions for very long periods ('gerontocracy') and accumulated multiple positions and offices. This blocked the younger generation, or secondary elites, who found themselves stuck on standby in secondary and tertiary leadership positions. Anyone who chose not to join the SED was additionally blocked; only rarely did these individuals advance into leadership positions, but instead occupied mid-level leadership posts.

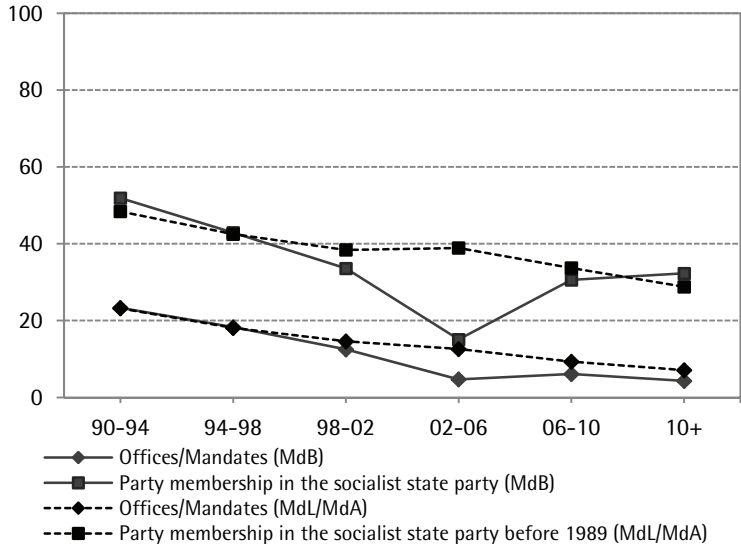
Conversely, in order to accelerate or secure professional advancement, many became members of the SED or one of the bloc parties. These persons need not necessarily be classified as system loyalists, although they, similar to the majority of the non-affiliated population, pursued no oppositional agenda either. The proportion of active members of the opposition was very low, and were not established as a counter-elite. When modernisation bottlenecks and the economic crisis intensified in the GDR from the mid-1980s onwards, parts of the functional elite (particularly in the fields of economy, science and culture) perceived and reflected these developments, but they hardly contributed to the peaceful revolution of 1989, as even rank and file, secondary elites were privileged over the rest of the population when it came to consumer goods, housing, etc. Although many voiced criticisms privately, the majority ultimately remained loyal to state and party.

The increasing self-recruitment of the GDR elite, the associated mechanisms of recruitment and selection and their sector-specific differentiation had established an order of inequality and thus created a high degree of compatibility with West German capitalist society. The members of the secondary elites and persons whose advance into elite positions was blocked by the long office terms of their predecessors were particularly well-positioned to establish themselves under the new conditions and opportunity structures due to the social and cultural capital they had accumulated in the GDR (Best, Gebauer and Salheiser 2012, 83).

In the spring of 1989 it was not yet foreseeable that this new general framework would be created so rapidly. One factor contributing to this impression was the state's apparatus of repression, which remained effective into the summer of 1989, hindering any oppositional efforts and thus the formation of a public, visible opposition. However, following the mass exodus in the summer of 1989 and in particular the state's reluctance to violently suppress the Monday Demonstration in Leipzig on 9 October 1989, the old GDR elites' threat of repression rang increasingly hollow, and now not only oppositional groups but the aforementioned 'blocked' loyalist generation began to push for changes in the GDR as well. The beginning of the transition period was therefore characterised by attempts to introduce reforms in the GDR through compromises between the – once blocked, but now upwardly mobile – generation loyal to the

system and the opposition at the round tables. Despite a massive retreat of the old (political) top-level elites, this phase was marked by a remarkable dominance of the blocked loyalists, who could be found largely among functionaries of the SED’s secondary ranks (Derlien 1997).

Figure 2: Political Experiences in the GDR up to 1989 of Members of the German Bundestag (MdB) and the State Parliaments (MdL, MdA) (Figures Indicated Chronologically since 1990 in Percent)



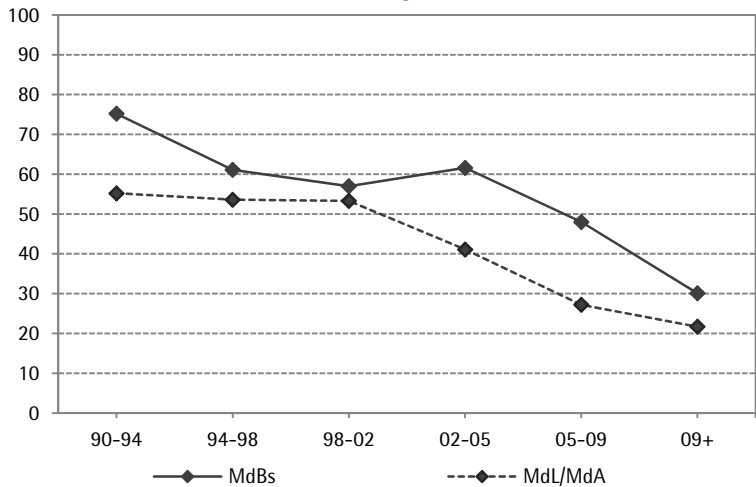
Source: Collaborative Research Centre 580 of the German Scientific Foundation, Project A3, "Jena Parliamentary Survey"; Offices/Mandates: Minister/Secretary of State before Dec 1989/Deputy in the Volkskammer before Mar 1990 and offices/mandates at regional (before Mar 1990) and/or municipal level (before May 1990).
 Reading aid: 23.3 percent of the eastern German members of the German Bundestag in the years 1990-1994 conducted public offices/mandates in the GDR before 1989.

Yet these attempts were overtaken by events on the ground: firstly, by the fall of the Berlin Wall on 9 November, and secondly by the politics of the West German government, which heavily influenced events in the GDR in anticipation of re-unification under West German auspices. This perspective severely curtailed the advancing SED generation’s scope of action, as well as that of the opposition at the round tables. Before the results of the *Volkskammer* elections in March 1990, effectively regarded as a referendum vote on re-unification, any kind of substantial policy had become nearly impossible. In this sense, the fall of the Wall had already handed over the initiative to the West German political elite, who then, following the *Volkskammer* elections, conclusively determined the framework in which the GDR’s transitional elite was permitted to act. The post-communist de Maizière government that took office after the *Volkskam-*

mer elections in March 1990 then finally broke the continuity with the advancing second row of SED elites.

Beyond a handful of exceptions, no members of the former top stratum of the GDR elite were among the persons now moving into elite political positions. In the years up to 1994, only one fifth of former GDR executive personnel were able to continue their careers without interruption (Gebauer 2012). The new political elite in eastern Germany, however, was only recruited from the ranks of the opposition to a small extent – even though it remained disproportionately represented in relation to its share of the total GDR population. The new elites emerged primarily from the technical, scientific and medical professions as well as from positions of middle management, whose social and cultural capital acquired during the GDR era secured them the required social connectivity in the new order. Membership in the SED was not in itself an obstacle, while having held a higher party function in the GDR certainly was, as an exemplary but generalizable analysis of the group of parliamentary deputies demonstrates (see Figure 2).

Figure 3: Political Experience during the Transition Period of Eastern German Members of the German Bundestag (MdB) and the State Parliaments (MdL, MdA) (Indicated Chronologically since 1990 in Percent)



Source: Collaborative Research Centre 580 of the German Scientific Foundation, Project A3, "Jena Parliamentary Survey."

Experiences: Minister/Secretary of State after Dec 1989/Deputy in the *Volkskammer* after Mar 1990/Member of a civic movement at national or subnational level/regional and/or municipal public offices or mandates after Mar/May 1990.

Reading aid: 75.2 percent of eastern German members of the German Bundestag in the years 1990-1994 held political offices during the transitional period in the GDR.

For this reason, people were now ascending into the political elite who had taken at least initial steps towards becoming members of the functional elite in the GDR before either voluntarily abandoning their mobility because of the increased political commitment it entailed or who found themselves blocked because elite positions were vacated so rarely. In most cases, the *political* activity of the new eastern German elite from the ranks of public administration and parliaments did not begin until the period of upheaval or the first elections in the federal states or the Bundestag elections of 1990 (Figure 3). In the chronology, there is no detectable return of the old GDR elites, whereas transition politicians accounted for the largest share of the political elite until the late 1990s (Welzel 1997; Edinger 2004; Best and Vogel 2011).

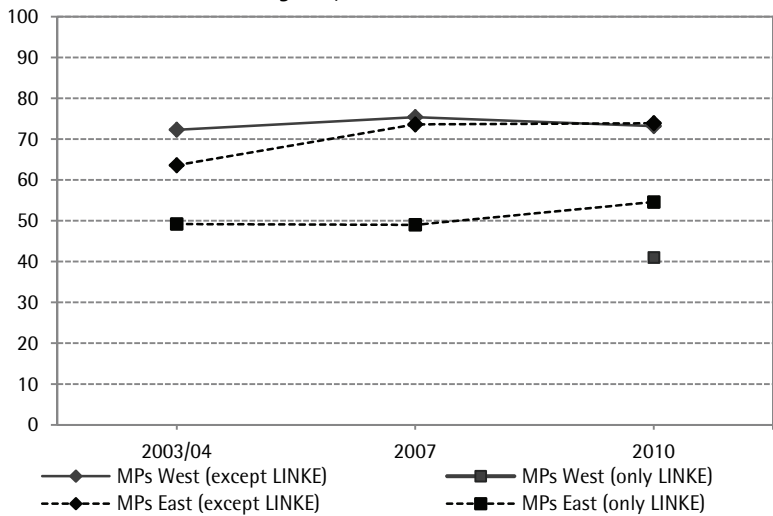
Thus, the predominant pattern in the transition process was the replacement of central power elites coinciding with the ascent of secondary and functional elites. Apart from opposition members, and politically unaffiliated and opportunistic citizens loyal to the system, ‘imports’ from West Germany constituted another recruitment pool for the new East German elites. Though their proportion was relatively small among the East German political elite compared to other elite segments, influential and visible positions in East Germany, for instance that of head of government of some single states (*Länder*), have often been (and continue to be) occupied by West Germans. Between 1990 and 2010 their share in all acting *Länder*-governments in East Germany was between 20 to 30 percent so that through their visibility they have (at least temporarily) contributed to a perception of “colonisation” (Best and Vogel 2011). The influx of a pool of West German elites facilitated the establishment of institutional structures in East Germany without relying on the former elites and their organisational or professional knowledge. What can be noted, particularly with view to the high levels of elite continuity in other post-Communist states, is that the comprehensive replacement of the top-level elite in the East was not least a result of the availability of the West German elite reservoir, a resource that is only available in the case of a re-unification of a country (Bürklin and Hoffmann-Lange 1999; Best and Vogel 2011).

4. Elite Integration in Germany after 1990

Given that members of parliament represent the main pool of recruitment for political elites at the regional and national levels, we can still, more than twenty years after re-unification, speak of a convergence of elites and thus of a structural and normative integration of elites – the few exceptions prove this rule. Parliamentary deputies in both East and West Germany hardly differ from one another in terms of social background and recruitment patterns. Similarly, few differences can be identified with view to their respective political attitudes and preferences, while a marked sense of common identity transcending party and

regional boundaries can be observed (see Figure 4). Even where differences persist, processes of change run somewhat parallel, suggesting similar patterns of perception and decision-making processes among East and West German elites. This convergence has occurred mainly in the form of adaptation on the part of East German parliamentary deputies to more resemble their West German colleagues (Best and Vogel 2011, 2012).

Figure 4: Sense of Belongingness among East and West German Members of the Bundestag (MdB) and of the State Parliaments (MdL, MdA) (Indicated Chronologically in Percent)



Source: Collaborative Research Centre 580 of the German Scientific Foundation, Project A3, "Jena Parliamentary Survey 2003, 2007 and 2010"; Question: "Do you feel a sense of belongingness with fellow Members of Parliament from other parties and parliamentary groups, or do you feel no sense of belongingness with them?", here: yes; N(2003): 943, N(2007): 1201, N(2010): 1272.

This convergence and thereby the emergence of a consensually unified representational elite could not be anticipated from the outset, as East German elites were in all respects new to parliamentary democracy and first had to learn the functional requirements of the new institutions. Their experiences in the distinct social and political order of the GDR constituted a potential obstacle to this learning process, thus raising the prospect of dysfunctional patterns of opinion formation and behaviour. Simultaneously, around the time of re-unification economic and social troubles in East Germany were already emerging; major differences between the attitudes and value systems of East and West Germans were becoming visible, and the asymmetric constellation of re-unification was leading to a widespread sense among East Germans that their

experiences, preferences and biographies were depreciated. This raised the question as to whether East German elites would harness this conflict potential by portraying *the* East Germans as a disadvantaged social group and establishing themselves as their political representatives, thus turning regional differences into a political fault line.

The reasons why elite integration occurred rather than any of these other scenarios, include, apart from the already mentioned socio-structural features of the GDR's secondary and functional elites, most particularly the transfer of institutions implied in the asymmetric re-unification of the two Germanys (Lehmbruch 1993). As a result institutional frameworks became identical for elites in both east and west. At the same time, these institutions provided East German elites with a sufficient amount of positions and opportunities for participation and inclusion. The adoption of West German institutional structures and adjustment to the corresponding new requirements, role expectations and patterns of behaviour constituted the most promising option for the East German representational elite to gain political scopes of action. After all, rejecting the transfer of institutions would have entailed a suspension of *resource* transfers from the west to the east, and thus further uncertainty regarding the stability of the new order in the east of Germany – not least of all considering the presence of Soviet, or rather Russian, troops until 1994.

Furthermore, the multi-level federal system contributed significantly to elite integration, firstly by creating a multiplicity of offices and mandates and, secondly because east-west differences play a minor role in regional politics, since the single states rather than East Germany represent the primary point of political reference. Correspondingly, the integration of elites is even more pronounced at the level of state parliamentary deputies.

A final relevant factor is the party system, which, following the fusion of the bloc parties with their West German counterparts and the citizens' movements' inclusion in the West German Green Party and the reconstitution of the SPD, was very similar to the West German system. One important difference, however, is that for historical reasons *Die Linke* has remained far more influential in East than in West Germany. During the 1990s, the successor party of the SED, the communist "Socialist Unity Party" (then called the Party of Democratic Socialism, PDS) attempted to establish itself as the representative of East German interests and experiences. Yet as a result of the ideological and organisational continuity with the SED, only a certain section of the East German population accepted it as a legitimate representative and gave the party its electoral support. Nevertheless, the PDS/*Die Linke* in this way accomplished an act of integration and familiarised its followers and members with the principles and practices of representative democracy. Even so, 25 years after re-unification *Die Linke* maintains a kind of semi-distance to the consensually unified 'all-German' elite (see Figure 4), as debates about its participation in government at a national level frequently exceed the boundaries of normal

political dispute in that the party's fundamental legitimacy is repeatedly questioned by the other major parties. However, the party has since then shifted away from the focus on serving as representative of East German particular interests, instead seeing itself as a mouthpiece for the reservations of certain segments of the (all-) German population vis-à-vis representative democracy.

As a consequence of the meagre partial representation of East German experiences and interests, the appropriation of West German institutions by elites occurred without any substantial political reappraisal of East German experiences and interests, which thus remained confined to a kind of proto-political space (*Ostalgie*, i.e. nostalgia for East Germany). For this reason – and because the general population is naturally less involved with political institutions than elites – the processes of adaptation and accommodation by East German elites were not accompanied by a corresponding shift in the East German population as a whole. Hence, one outcome of this successful elite integration is that, even today, the distance in attitudes between the 'all-German' political elite and the eastern German population is greater than that between elites and the general population in West Germany. Likewise, acceptance of national institutions and corresponding elites is less pronounced among the East Germans. Without the partial representation of East German interests by the PDS and now *Die Linke*, however, this distance would be even greater (Best and Vogel 2011, 2012).

5. Elite Structures in North and South Korea

5.1 Social Structure and Elites in North Korea

The preconditions for elite transition and elite integration as the basis for successful re-unification can be found in the structures of the North Korean elite and the action options relevant to them. A corresponding analysis of the North Korean case should therefore not simply focus on a potential counter-elite, but must also look for groups within the ranks of the power- and functional elites who may not behave openly as a counter-elite but would be unopposed to re-unification under certain conditions, or indeed may even act as its bearers.

An initial inspection of the structures of the North Korean elite ought to take into account the distinction between three elite groups made by the North Korean state itself and adopted by many observers: 1) the descendants of Kim Il Sung, 2) the veterans of the struggle for independence against Japan and their descendants, including persons who were close to Kim Il Sung politically, and 3) the 'heroes,' who are further divided into the heroes of the Korean War and the Heroes of Labour in the construction of socialism. It is unclear whether or not their descendants are to be included in the 'hero' category as well.

Despite various differences and a general vagueness within these categories,⁴ they emphasise the fact that genealogy is essential to status assignment in North Korea, and moreover is officially legitimated. Correspondingly, inheriting privileges and offices is a widespread practice (Hyeong-Jun 2013). In the GDR, on the other hand, although intra-familial status inheritance became increasingly prevalent over time, it nevertheless remained ideologically undesirable and was therefore never legitimated, as the effects thereof would have called into question elite recruitment based on political loyalty and meritocracy, or more generally the mechanisms of position and status assignment in a presumably ‘classless’ society (Best 2012).

This schema, deployed by the South Korean side as an analytical heuristic, emphasises the primacy of politics, because intra-familial, comradely or ideological loyalty towards political leaders and the political system are central and thus do not indicate any further differentiation of additional recruitment criteria. Furthermore, this categorisation is of an official nature in North Korea, underscoring how vital centrally and hierarchically determined political decisions are in the shaping of elite status and the allocation of privileges and positions.

However, a degree of caution must be observed when using this status schema to examine the elite structure because, to begin with, in addition to the lack of analytically disjunctive separation, we also lack a quantification of these groups that goes beyond mere estimates. Furthermore, membership in these groups is defined primarily by access to privileges. These privileges,

⁴ Accordingly, several variants of this typology are known in both North and South Korea. It is possible that the criteria are deliberately kept vague so as to allow for individual case-specific decisions. The prominent position of the anti-Japanese partisans and their descendants, however, can be found in all of the typologies. As an example, here are three such typologies:

(EWSA Universität 2013)	(Soyoung 2003)	(Lee et al. 2013)
Descendants of Kim Il Sung	1st revolutionary generation (anti-Japanese partisans, born before 1920)	1st revolutionary generation (anti-Japanese partisans)
Anti-Japanese partisans	and 2nd revolutionary generation (their descendants)	
Heroes of the Korean War and of socialist construction		2nd generation (heroes of the Korean War and of socialist construction)
	1st non-revolutionary generation (born before 1920)	
	2nd non-revolutionary generation (born after 1920)	
	3rd generation (born after 1950)	3rd generation (no details indicated)
		4th generation (born since 1970)

however, do not necessarily translate into political, economic or other forms of influence which – particularly in the political arena – are usually secured, including in North Korea, through the assumption of formal executive positions, especially in the state security service (EWha Universität 2013, 33). Therefore, and specifically with a view to the third group, membership tells us very little about the respective elite status of a given individual, as this group also includes local and regional office holders who could potentially be members of the secondary elite and thus potential members of the primary elite – but only when given the possibility of advancing to higher positions from that office.

What the schema does offer, however, especially if we also take the non-privileged into consideration, is a self-description of the North Korean social structure utilising the categories of upper, middle and lower class. Membership in one of these socio-structural groups is accompanied by highly unequally distributed opportunities for participation and status hierarchies which also find expression – even in the case of elites – in sector-specific and positional differences. Correspondingly, the first group of descendants and relatives of Kim Il Sung occupy the central positions in politics, administration, the economy and culture. However, due to its naturally small size it is forced to share this privilege with members of the second group. If we compare the first two groups with the third group, then, there is a clear asymmetry in status, for the highest and most important leading positions – with one exception – are generally unachievable for members of the third group due to their familial background, while their own position and allocation of privileges always depend on decisions taken by the first and second groups (EWha Universität 2013, 37). Members of the third group essentially represent blocked secondary elites. In contrast to the GDR, however, where this blockage was owing to the over-accumulation of offices and the long sitting periods of the office holders well into old age, in North Korea they are blocked primarily by the ascriptive character of status assignment.

The only exception that allows for members of the third group to access central leading positions and thereby become what could be seen as members of the primary elite, is the military. According to South Korean experts, here the heroes in fact occupy the majority of leading positions from the officers' rank upwards (EWha Universität 2013; Hyeong-Jun 2013).

There exists a tendency for this status assignment along political-ascriptive criteria to be challenged by the emergence of a proto-market, a process that can be observed since the mid-1990s. After all, the appropriation of private property and the accumulation of economic capital may lead to a new channel of resources, privileges and influence distribution that is independent of state-directed allocations, de-centralised and non-hierarchical, i.e. market-based. This observation, however, must take into consideration the fact that access to those market-like structures has thus far been determined by one's position within the political elite. The notion of a 'political capitalism' (Staniszki,

Kisiel and Szelenyi 1991) therefore seems to a certain extent applicable to North Korea (Hyeong-Jun 2013).

By the time North Korean foreign trade was established in the 1970s, members of the second group were already endowed with certain privileges, as they usually led the companies in charge of foreign trade. Following the economic collapse in the 1990s and the accompanying famine ('Arduous March'), it was the underclass, i.e. those without any privileges, who were the first to initiate barter trade and thereby engage in market-like activities in order to secure their livelihood. Subsequently, members of the third group (the 'heroes') became increasingly active in the emerging markets, an activity which was motivated by several factors. Firstly, these market activities became necessary for the third group as their privileges could no longer be guaranteed under such bleak economic conditions. In spite of their elevated status they found themselves directly affected by food shortages, something which did not apply to members of the first two groups. In this situation of relative status loss, the asymmetry between the distinct elite groupings, or rather between upper and middle classes, became increasingly visible. Another factor was that the military as an institution was itself permitted to a certain extent to engage in market-economic activities, ensuring its ability to perform regardless of decreases in state funding. The military – and thus large sections of the third group – was ideally equipped for market-like activities, as it enjoyed access to a sufficiently large pool of labour and the extensive transportation capacities required for export-oriented market activities while being relatively protected from police and state security services.

In a system in which private property is tolerated but essentially illegal, protection from state interference is essential to market-economic activities. Each shift in the political winds can just as well imply an end to this tolerance. This is all the more so given that members of the first two groups, already in the 1970s (see above) but also more recently, engage in market-economic activities as well. Consequently, even though a differentiation of the mechanisms of resource and privilege allocation can be observed, political status assignment remains a priority. In this sense, the North Korean situation resembles that of the GDR in its basic premises, where meritocratic elements also played a role in addition to the main criteria of loyalty and conformity, particularly in areas distant from the circles of power. However, the sector-specific differentiation of recruitment criteria in the GDR was further developed, as formal education and professionalism generally became more important factors the greater the distance a given area was from the centre of power.

With view to either a possible transformation of North Korea (a far-reaching change of the social structure), a transition (changes to institutional structures), or even re-unification, the central question remains whether the third group's access to economic resources and privileges in combination with the top-level military positions the members of this group occupy will generate a conflict

potential between the first two groups on one side, and this group acting as a counter-elite on the other. The answers to this question are rather diverse.

Speaking for such a conflict potential is the combination of the relative deprivation and inferior positions of members of the third group in most elite sectors, their lack of advancement opportunities into the primary elite, and the alternative option of accumulating economic resources, not to mention their control over the means of military power. A conflict arises out of this situation as soon as the economic options of the third group are curtailed because, for instance, the first two groups view themselves as being threatened by market structures and the establishment of economic elites, and in turn seek to either restrict market-economic activities or appropriate them for their own gains.

If no such limitation occurs, the outlined constellation suggests a more long-term transition. The reason for this is that market structures create alternative possibilities for the third group to appropriate resources and privileges, while at the same time blocking market access for the non-privileged, because of the combination of their ascriptive and state-guaranteed status assignment, so that the social closure by economic elites is legitimated by the political order. In this case the first, second and third groupings would all have an interest in preserving the existing political order, at least as long as it continues to secure their privileges. In essence, then, the potential for conflict develops once the first and second groups extend their access to market-like structures too far. Since internal quarrels among North Korean elites tend to be first of all distributional struggles over privileges rather than over political or ideological reforms, the third group's inclination to act as a counter-elite and carrier of political reforms is highly questionable.

With view to a possible re-unification, however, our investigation of German re-unification and its conditions and impacts within the elite structure allows for a different projection. In the German case, the GDR's secondary and functional elites behaved equally loyally and did not constitute a counter-elite. The prospect of re-unification that arose in November 1989 translated into an opportunity to thrive in an alternative social and political order for these groups. This alternative proved more appealing, as it offered greater opportunities for advancement and basic access to resources, while the primacy of political loyalty and conformity promised to be less dominant in it. Moreover, the basic functional logic of non-socialist societies had already been present in the GDR through exchanges with Western economies – the extent of which again varied from sector to sector – while socio-structural mechanisms of differentiation based on the transmission of social and cultural capital within families were already working behind the façade of socialist equality. As a result, the residue of identification with the socialist social order proved insufficient to counter the centrifugal forces unleashed by the prospect of re-unification. This was especially true for the secondary and functional elites of the GDR, whose loyalty was essentially pragmatic and not founded on ideology. If a possible re-unification is tied to a guarantee of privileges, it

can be assumed that at least members of the third group would not stand in its way, especially since their privileges are not legally codified in North Korea and therefore exposed to the uncertainty of shifts in political direction and leadership within groups one and two.

In summary, the socio-structural configuration of North Korean elites is characterised by the fact that the upper classes dominate the power elite and the primary functional elite (save for the military) simultaneously, while participation of the middle class, i.e. the third group, is confined to the secondary elite and the ongoing development of market structures. In this sense and for the most part, no congruence of social status and membership in elite groups can be observed among members of the third group. Against this backdrop, the current differentiation of status and resource allocation through the establishment of private property and market-like elements changes in particular the socio-structurally specific opportunities for accessing economic elite positions.

5.2 The North Korean Central Committee

The analysis of the social structure of North Korea's primary and secondary power elites and of groups with potential access to such positions primarily serves to identify central socio-structural core groups of the elite and their potential counter-elites. The concept of elites commonly applied in the international debate, however, is usually defined more narrowly. According to this definition, elites are the bearers of central leading positions, capable of regularly and substantially influencing decisions of national significance (Burton and Higley 1992). Against this backdrop, processes of internal differentiation among elites have been identified as crucial factors in the transformations of the Chinese and Soviet systems (Soyoung 2003), and, incidentally, in the process of German re-unification (see above). As in the GDR, this differentiation encompassed career paths required for recruitment to elite positions and their associated characteristics and abilities. Over the course of such a differentiation, which always entails the abandonment of ideological in favour of functional recruitment criteria, elites' loyalty towards the state socialist system can erode. That said, the system can also stabilise itself, as heterogeneous elites ensure greater responsivity vis-à-vis social developments and are better suited to adequate functional performance. Hence, internal differentiation does not necessarily lead to transition or even social transformation. These processes of internal differentiation among North Korean elites will be elaborated below.

Table 2: Socio-Structural Characteristics of the Members of the Central Committee of the Workers' Party of Korea

		1980		1990		2000		2012	
Size (persons)		145		180		158		124	
Newcomers		41.1		22.2		13.1		-	
Proportion of women		4.1		5.0		5.7		4	
Average age		57.3		64.6		72.1		-	
Age	80+	0.0	0.0	2.2	2.6	10.1	12.3	23	32.5
	70-79	6.2	7.0	17.2	19.9	48.7	59.2	21	31.3
	60-69	23.4	26.6	50.6	58.3	19.0	23.1	20	30.1
	under 60	58.6	66.4	16.7	19.2	4.4	5.4	4	6.0
	unknown	11.7		13.3		17.7		33	
Region of birth	Pyongyang (city and province)	21.4	28.7	23.9	32.4	23.4	33.0	16	38.5
	Hamgyong	31.0	41.7	28.9	39.6	27.2	38.4	11	26.9
	Others	9.7	12.9	10.0	13.7	11.4	16.2	10	23.1
	Outside of North Korea	12.4	16.8	10.0	13.6	8.9	12.5	3	7.7
	Origin unknown	25.5		26.9		29.1		58	
Higher education****	Mangyongdae Revolutionary School	15.9	23.3	18.9	26.1	19.0	26.8	10.5	19
	Kim Il Sung University	31.7	47.4	33.9	46.8	36.1	51.4	12.1	22
	Others	19.3	28.8	18.9	25.8	18.4	26.1	19.4	35
	Abroad (mostly USSR)	50.3	75.3	51.7	71.0	47.5	67.6	13.7	25
	No higher education	5.5	8.2	3.3	4.5	0.0	0.0	-	-
	Unknown	33.1		27.2		29.7		44	
Political generation***	Anti-Japanese partisans and their descendants	52.0		49.4		45.1		-	
	1st and 2nd non-revolutionary generation	48.0		50.6		54.9			
Relatives of Kim Il Sung		8.3		10.9		12.0		3.0	
Sector of Origin	Party	33.6		34.9		41.8		-	
	State bureaucracy	33.6		36.6		24.8			
	Military	24.2		21.1		23.5			
	Society*****	8.6		7.4		9.8			

Source: Authors' own compilation and calculation based on: Soyoung 2003; Lee et al. 2013. The grey italicised columns indicate the respective total percentage based on all members of the Central Committee. For reasons of simplicity, percentages were calculated based on those members for whom information is available.

* Newcomers since the last Party Congress, in 1990 since 1985 and in 2000 since 1995, as no Party Congress was held from 1980 to 2010.

** USSR, China, South Korea

*** Soyoung 2003

**** For the period between 1980-2000 several educational degrees were counted for each person, which does not raise their number to 100.

***** e.g. youth organisations, trade unions, international friendship associations (Korean-Soviet Friendship, etc.), media and the press.

Because the Central Committee of the Workers' Party of Korea is the highest body of the most important organisation in North Korea, to which, moreover, representatives of the various social sectors such as politics, the economy, the

military, etc. are appointed, its members could be considered as part of the power elite in the sense described above. In the analysis of the Central Committee's socio-structural composition, there are two sources which allow for an examination of more long-term developments: Soyoung's research (2003) covers the period from 1980 to 2000 and can be expanded with the study conducted by Lee et al. (2013) up to 2012, that is to say, from the 6th and hitherto last Party Congress until the 3rd Party Conference of the Workers' Party. It must be noted, however, that this expansion should be interpreted with a degree of caution, due to some data related problems (particularly with regard to the data pertaining to 2012) and diverging categorisations.

A first parallel to the GDR is the development of age patterns. From 1980 to 2000, the average age in the Central Committee steadily rose from 57.3 to 72.1, suggesting a low rate of fluctuation among its members. The equally steadily decreasing share of newcomers to the Central Committee, which can be observed at least in the data available until the year 2000, further underscores the aspect of over-ageing ('gerontocracy').

If, however, we trust the data for 2012 despite a relatively high rate of missing information, then some signs of a slight reversal in the trend can be observed. Though the share of the very old cohort (80+) has continued to increase, it has not necessarily done so to the detriment of the 'young' cohort of 60 to 69 year-olds. For the first time the age cohorts are now, with the exception of the few under 60-year olds, more or less equally distributed, suggesting that the reduction of the Central Committee's size was accompanied by either the (forced) abdication of some members of the older cohort and/or the ascendance of some members of the younger cohort (60 to 69 year-olds). Taken together with anecdotal reports of massive changes in personnel in favour of younger generations at the level of secondary power- and functional elites (Lee et al. 2013, 56 et seq.), a generational transition seems to be occurring, the impact of which extends, albeit in mitigated form, into the Central Committee itself.

Nevertheless, this generational transition in no way alters the fact of male numerical dominance. The share of female members of the Central Committee continues to be negligible.

There seem to be some changes concerning the aspect of place of birth, however, even though, once again, we must be very careful given the large amount of missing data for 2012. The figures still possess a certain plausibility, as they in fact continue a trend observed since 1980, namely the decrease in numbers Central Committee members born in the region of Hamgyong. The disproportionately large share of this region through the 1980s can be explained by the fact that it was a centre of anti-Japanese partisan activity; hence the veterans thereof belonged to the first revolutionary generation. Therefore, the increase in members from the city and province of Pyongyang as well as of the remaining provinces signifies a differentiation of regional backgrounds, alt-

though a regional asymmetry in recruitment persists, as more than half of the Central Committee's members still come from only two regions.

Data on the educational background of Central Committee members point to several trends. We again must be cautious though, not only because of missing data for 2012, but also because in the study by Lee et al. in 2012, in contrast to studies from the previous years, multiple educational degrees were not specifically considered. To begin with there is a constantly high proportion (90 percent) of members with a formal school leaving qualification. Although many of these degrees are from the Mangyongdae Revolutionary School, which, along with some – but not most – of the academic institutions subsumed under ‘other,’ is actually a party and military school, it nevertheless becomes clear that a high level of formal education is an important prerequisite for joining the Central Committee. At the same time, the presence of the Mangyongdae Revolutionary School does provide rough estimates of the proportion of members of the first two groups, North Korea's upper classes, given that only members of these groups are permitted to attend that institution (Soyoung 2003, 107). Correspondingly, for 2012 we can assume that a minimum of 10 percent of Central Committee members belong to these two groups, although the share is likely higher if we take figures from previous years into account as well. Moreover, the data also indicate a differentiation with regard to formal education, as the share of graduates from other academic institutions has risen. In contrast, the share of graduates from foreign universities, mainly in the USSR, has decreased which, given existing age patterns, cannot be attributed to the Soviet Union's collapse following 1992, for members of at least 60 years of age in 2012 would have completed their degrees in the early 1970s.

The data for the period up to the year 2000 relativize at least a few statements by South Korean observers concerning the North's class structure and the mechanisms of status assignment active therein. They indicate that many members of the first and second non-revolutionary generations are neither related to Kim Il Sung nor participated in revolutionary activities during the anti-Japanese partisan war, that is to say, they belong to neither the first nor second groups as detailed in the first section. They also do not belong exclusively to the third group of society's ‘heroes’ (Soyoung 2003, 95). Rather, these members owe their upward mobility to a career in the Workers' Party or the state bureaucracy. Evidently, advancing into the Central Committee is also possible without meeting the genealogical criteria, for this group constituted almost half of the Central Committee's members during the 1980s, and its share had risen even more by the year 2000. Family ties to Kim Il Sung continue to be an important factor, but one that due to biological realities does not and cannot find expression in a higher share of Central Committee members.

Since 1990 and up to 2000, developments were marked by a rising share of Central Committee members emerging out of party careers and – in contrast to the USSR and China before their transformation – by a consistently high pro-

portion of members from the military. A further analysis substantiates this, showing that almost half of all newcomers to the Central Committee since 1990 had completed a military career (Soyoung 2013).

In summary, we can identify two contradictory developments that occurred until the year 2000. On the one hand, the reduction of the Central Committee while simultaneously appointing fewer new members, the increased weight of party and military backgrounds, as well as the continuing dominance of two specific academic institutions, two specific regions and one generation of partisan fighters (or rather, their descendants) all suggest a closed power elite within the Central Committee, united by their similar backgrounds, experiences and shared basic ideological convictions, and increasingly striving for internal homogeneity and social closure. We can assume that these developments were a reaction to Kim Il Sung's death in 1994, and to the downfall, or radical transformation, of the Soviet Union, the countries of the Eastern Bloc and China, all of which were responded to with an increased closeness.

At the same time, however, we find traces of internal differentiation, for instance with regard to the rising share of members lacking experience in revolutionary partisan warfare. Any statements made about developments up to 2012 must be cautiously evaluated due to the problematic data available to us. Indeed, the number of members has been reduced further and the share of higher age cohorts has risen markedly. That said, over-ageing has slowed to a certain extent. Simultaneously, new institutional and geographical origins of members have been established alongside the more traditional ones, suggesting at least rudimentary moves towards internal differentiation.

5.3 Structure and Experiences of South Korean Elites

A direct comprehensive comparison of North and South Korea is a demanding undertaking, due to the distinct structures and institutions of the respective political systems, not to mention the difficulties posed by a lack of reliable data for North Korea. Nevertheless, we can identify groups of persons – in both a socialist, totalitarian, one-party system on the one hand, and a market-economic, presidential, pluralist democracy on the other – whose position(s) allow them to frequently and substantially influence or even make decisions with significant national impact. In South Korea, ministers and members of parliament, beside the president and her closest staff, are considered to be the main decision makers (for an overview on this issue see: Dormels 2006, 43-8). The data referred to here encompasses ministers from 1993 to 1998, i.e. under the Kim Young-sam presidency (Dormels 2006), and the members of parliament for the years 2006-7 (TRI 2007). Regardless of all these limitations, the juxtaposition of individual characteristics already indicates the contours of distinct elite configurations.

One feature the South shares with North Korea is the marginal position of women, in spite of its higher share among ministers and parliamentary deputies. Although Park Geun-hye, the daughter of the former, autocratic president Park Chung-hee (1961-1979), became the first woman elected president in South Korea, she nevertheless represents a major exception within the sphere of the political elite.

Table 3: Socio-Structural Characteristics of South Korean (SK) Elites (In Percent)

		Ministers 1993-1998	Deputies 2006/7
Size (persons)		100	
Proportion of women		8	9.8
Average age (in years)		56	52.9
Age	80+	0	-
	70-79 (Deputies 65+)	0	8.6
	60-69 (Deputies 55-64)	19.8	29.1
	Under 60 (Deputies under 55)	80.1	62.3
	Age unknown	0	-
Region of Birth	Seoul/Kyongggi	20	-
	Kangwon	3	-
	Ch'ungch'ong	17	-
	Cholla	17	-
	Kyongsang	38	-
	Outside of South Korea	5	-
Higher education *	No higher educational degree	-	3.2
	Seoul National University	66	-
	Abroad (mostly USA)	53	-
Sector of origin **	Politics	15	-
	State bureaucracy	35	-
	Military	8	-
	Society	42	-
Member of Christian denominations (Roman Catholic, Protestant)		-	59.9

Source: Authors' own compilation based on Dormels 2006; TRI 2007.

* Several higher educational degrees were counted per person, as a result of which the total number does not amount to 100.

** here: teaching/research; law, media, the economy, summarised for the purpose of comparison.

A comparable process of over-ageing cannot be identified in South Korea, although the average age of parliamentary deputies is roughly seven years higher than in corresponding international findings (Best and Cotta 2000). Yet, the differences between North and South Korea are much more striking. For instance, in South Korea no members of parliament are older than 80, while in North Korea this age cohort makes up about one third of comparable social groups. This would imply that, in contrast to North Korea, only a precious few members of the South Korean political elite can actively recall a unified Korea

from personal experience. Instead, most of them were politically socialised during a time when the division of the peninsula was already in place. Taking into account the experiences of German re-unification, however, it would be implausible to view these divergent experiences as a central obstacle to communication or integration as such.

The regional origins of South Korea's political elites are more diverse and thus more differentiated than in the North, although Kyongsang exhibits a privileged position similar to that of Pyongyang. Neither finding is a peculiarity of an historical snapshot, but rather can be demonstrated to varying extent in almost all South Korean administrations (Dormels 2006, 321 et seq.). We find pronounced regional asymmetries in both North and South Korea, suggesting similar formation processes of political support: political networks and loyalties continue to be based on regional origins and ties to a significant degree, despite the fact that the functional differentiation of an industrial, or – in the case of South Korea – rather post-industrial society engenders sector-specific relations of dependency.

The analysis of formal education also points to common areas of experience among South Korean elites comparable to those in North Korea: here a similar academic institution, Seoul National University, is attended by half of the political elite. However, studies abroad are more frequent not only with regard to extent but also to the diversity of destination countries. While North Korea's elites nearly exclusively studied in the USSR, albeit decreasingly so, about half of South Korean government ministers earned their academic degree in the USA.

Sectoral origin of elites, then, clearly reflects differences between the two societies. Although up until the 1980s an almost identical share of elites in both Koreas had previously pursued a career in the state bureaucracy, in North Korea this share subsequently dropped significantly. Today, the dominance of party and the military and the simultaneous lack of experience in the civil sector characterises North Korean elites, while in South Korea elites from the civil sector dominate, and military or other elites with a markedly political background have comparatively little weight.

One rather important factor in the successful integration of East and West German elites was the confessional structure: compared to the general population in the east, the share of denominationally affiliated Christian representational elites was much higher (with the exception of *Die Linke*), marking an important similarity to West German representational elites. These shared experiences and mindsets were suited to facilitate mutual rapprochement on a pre-political basis (see above). This advantage cannot be utilised for any possible agreements between North and South Korean elites: while at least 59.9 percent of South Korean members of parliament are affiliated to one of the Christian denominations – a much larger share than among the general population – this possibility can be entirely ruled out for North Korean elites.

The conclusions from this partial comparison must be stated with caution. It seems safe to say that North and South Korean elites exhibit marked differences in their respective socio-structural composition, which reveals diametrically opposed recruitment criteria. However, there are also similarities suggesting social and cultural commonalities dating back to long before Korea was divided. These include the significance of regional asymmetries and the role of common regional origins, reflected in both states by the privileged status of certain regions. As well there is the dominance of particular educational institutions which in turn point to the significance of shared spaces of experience. Nevertheless, the integrational potential of these commonalities must be assessed with a degree of scepticism, as elites in both countries share no common areas of experience, but instead are simply confronted with similar – because universal – logics of elite recruitment. These logics may have similar effects in both states and pose a number of similar challenges to both South and North Korean elites, but they do not unfold any real potential for integration. This is not least of all due to the fact that the common features identified, at least in the case of North Korea, clearly represent secondary elements of the opportunity structure.

Aside from structural characteristics, we must also take into account South Korean elites' experiences. One of the central ones that might influence South Korean elites' approach to North Korean elites is the elite settlement of 1987, as a result of which military rule was ended and the transition towards a democratic state order was implemented largely peacefully, while the once divided South Korean elite was transformed into a *consensually unified elite* (Burton and Ryu 1997).⁵ The heart of this *elite settlement* was an agreement between the previously antagonistic elites on a democratic constitution in the framework of which the acquisition and passing on of government power would be determined exclusively by free elections with opposition participation. Through their approval of the draft constitution on 31 August 1987, the military elites headed by Chun Woo Wan and Roh Tae Woo handed over their control of government to the civil institutions of parliament and president. General Roh Tae Woo, who then won the presidential elections in 1987 after the opposition fielded two competing candidates, took no steps to reverse any of the new constitution's provisions. This support for the new political order emphasises that the erstwhile opponents were able to mutually accept one another and agree that compromise and concession would be the central instruments of politics in the future. Such a successful *elite settlement*, its subsequent stabilisation and the emergence of a *consensually unified elite* entails a host of preconditions. The military elites' willingness to make concessions had steadily risen in the period prior to the *elite settlement*. One of the underlying reasons for this was how the opposition demonstrated its remarkable mobilising capacities not

⁵ The depiction of developments in South Korea until the mid-1990s is based on Burton and Ryu (1997).

only in the form of mass protests and strikes, but also in the general elections of 1985, in which the oppositional New Democratic Party was able to gain a significant number of seats in its first time standing candidates. Simultaneously, the USA demanded more willingness to make concessions on the part of the military elites, while economic elites no longer supported the repression of democratic activities, as they now viewed it as an obstacle to the pursuit of their interests. In this situation, reformers within the military elite won the upper hand and advocated for concessions.

An important component of this trajectory was the assurance to Chun Doo Wan that no criminal investigation against him or his colleagues for their seizure of power or the Gwangju massacre would be filed – although this occurred in the end. At the same time, opposition elites were also prepared to withdraw their insistence on their maximum demands (investigation of the Gwangju massacre, creating the post of vice-president and profit sharing for workers) as a condition for passing the draft constitution of 31 August 1987. Two further events were also helpful in consolidating a consensually unified elite, signalling to the erstwhile autocratic ruling elite that politicians in the new democratic order would not act against the former's fundamental interests: correspondingly, the first president Roh Tae Woo was not a candidate of the opposition, and the two most important opposition parties under Kim Young-sam and Kim Jong-pil merged with Roh Tae Woo's party, thus consolidating power sharing at an organisational level as well. Under the presidency of Kim Young-sam, charges were brought against Chun Doo Wan, Roh Tae Woo and other former rulers relating to their seizure of power and the Gwangju massacre, but even after Chun Doo Wan was sentenced to death and other defendants given lengthy prison sentences, military elites showed little inclination to intervene against these punishments. The fact that the main defendants were later pardoned may be seen as a further component of the *elite settlement*.

At first glimpse, the positive experience of this elite settlement may be useful in managing re-unification via an understanding between and integration of North and South Korean elites, as it would entail rapprochement between two previously hostile elite groupings. However, one precondition for this would be a stable and effective elite consensus on the South Korean side, since only a lasting and consistently positive experience can ensure other elite groups' openness to integration. Against this backdrop, we must finally incorporate the assessment by members of the South Korean National assembly as recorded in a survey conducted in 2006-7 (TRI 2007). These findings suggest several problems within the elite consensus, even though the data concern mainly political elites organised in political parties and cannot necessarily be seamlessly transferred to relations between elites from distinct respective sectors.

When asked how or to what extent parties sought compromise in parliament, a total of 81.9 percent of legislators responded that willingness to compromise was 'bad' or 'very bad.' The mean value of 1.97 on a scale ranging from 1 'very bad'

to 4 ‘very good’ is by far the lowest when compared to other transformation countries such as Chile (2.38), Poland (2.48) and South Africa (2.76).

According to the perception of interviewed legislators, the integration of elites through common and cross-party communication networks is very poorly developed: when asked about the quality of communication between government and opposition, three quarters of deputies described it as being of bad or even very bad quality. However, the mean value of 2.18 on a scale from 1 to 4 (see above) is more or less average if we once again compare it to similar countries (Chile: 2.07, Poland: 2.00, South Africa: 2.77).

A similar pattern can be observed regarding the statement that competition among political parties never leads to violent conflict. This statement is only confirmed by 34.7 percent of interviewed legislators (‘I strongly agree’ and ‘I tend to agree’), while almost 40 percent remain undecided and about one quarter reject the statement. Although the mean value of 2.92 on a scale ranging from 1 ‘strongly agree’ to 5 ‘strongly disagree’ is not particularly pronounced in comparison with similar countries in transformation (Chile: 2.70, Poland: 3.43, South Africa: 2.85), at least two thirds of interviewees cannot rule out that conflicts between parties may become violent at some point in the future. In summary, the findings suggest that the elite consensus in South Korea is not entirely solid, and would have to be tested for its stability in the case of rapprochement or agreements either with current or transformed North Korean elites.

6. Implications

The experience of peaceful German re-unification as well as the peaceful transformation of South Korea demonstrates that elite agreements are a necessary prerequisite to the establishment of a stable and pacified political order. Consequently, the new elite paradigm can certainly be applied to the Korean peninsula where currently two political and social systems built on diametrically opposed basic principles face each other in an ongoing hostile confrontation. However, a direct transfer of the German experience onto Korea is essentially precluded due to the distinct historical preconditions and trajectories of the two countries. The prehistory of the Korean War – a brutal civil war costing hundreds of thousands of lives, the hermetic closure of both Korean sub-societies between which no social and (in comparison to the German case) very little economic exchange occurs, as well as North Korea’s potential to threaten and blackmail owing to its nuclear armament – all suggest that the premises for an ‘all-Korean’ elite agreement and an elite settlement conducive to political re-unification on the Korean peninsula are rather bleak.

On the other hand, elites on both sides share a common Korean history unencumbered by historical guilt, as well as a grand cultural history marked by major achievements. Simultaneously, the regionalism and embryonic beginnings of de-

centralisation (even in North Korea) represent secondary structural elements that may be suited to institutionally support national integration. A process of national integration in Korea could base itself on these common national traits. In order to set such a process in motion, however, a convergence of interests between North and South Korean elites would have to be found that extends beyond the mobilisation of national sentiment and drives forward antagonistic cooperation. For North Korean elites, this may include expanded opportunities for economic appropriation and a significant improvement in their quality of life, all of which would likely result from closer cooperation with South Korea. Economic functional elites, i.e. individuals belonging to the third elite group would probably be the main beneficiaries of such a cooperation. This elite group, along with members of the state administration, would also benefit from institutional protection and legally codified guarantees in a transfer of elements of a functioning legal state to North Korea. To qualify this statement, however, it should be added that economic privileges in currently developing North Korean political proto-capitalism are limited and not guaranteed by legal security. Nevertheless, over the course of rapprochement – or even re-unification – possibilities to push competitors off the market through political interventions would diminish, even though opportunities for appropriation as a whole may expand. Consequently, not every form of rapprochement would prove equally appealing to members of the third group. Another problematic aspect is that economic privileges and legal guarantees are not or not equally relevant to top-level North Korean political staff, i.e. for members of the first and second groups, since hereditary and loyalty-based criteria for access to the highest elite segments would most likely proportionally decrease in relative importance.

For South Korean elites, the crucial gain from an elite agreement would be the achievement of national unity and sovereignty as well as a reduction of political tensions and the threat of war. For Korean elites as a whole, an elite agreement would imply a significant gain in sovereignty, entailing more independence from their geopolitical patrons, the USA and the People's Republic of China, respectively. The elaboration of a common Korean agenda, i.e. the identification of common goals and concerns, would represent the first step towards an elite agreement on the Korean peninsula. It would have to be followed up by the establishment and institutional protection of special fora for elite cooperation and conflict management. The goal would have to be the initiation and consolidation of social and economic points of contact, which in turn may lead to an autocatalytic process in which expanded elite cooperation and institutional structures of a Korean confederation begin to emerge, in pursuit of re-unification as a long-term goal.

Considering the totalitarian and human rights-violating character of North Korean elites, however, these functional deliberations aimed primarily at national integration inevitably raise questions of justice and acceptance. That said, any alternative option to that of elite cooperation and integration would

likewise entail problems of acceptance and legitimacy. A complete replacement of North Korean by South Korean elites, which could only occur in the wake of a collapse of the North Korean regime, could be perceived as colonisation by the North Korean population and could reinforce or even serve as an additional impetus for the creation of a separate or separatist North Korean identity. One alternative could be the appointment of non-elites distanced from official politics and hence with little experience in leading positions in North Korea. However, this would almost certainly be accompanied by problems of output legitimacy, for it would imply a complete disregard for the expert knowledge and experience of North Korean functionaries. Against this backdrop, we must keep in mind that in East Germany the central power elites were replaced by relatively untainted secondary elites during the GDR's last year of existence. That is to say, the fact that German re-unification occurred after a democratic transformation including an exchange of elites had already taken place (albeit forced by West Germany) represents a critical factor in successful elite integration and thus national integration.

Nevertheless, elite integration has led to a far more pronounced gulf between the population and political elites in the east than exists in the west, and continues to contribute to a de-legitimisation of established political personnel in the eyes of the East German population and to the latter turning away from democratic institutions.

Another possibility in a re-unified Korea could be that sections of the political elite politicise old or newly emerging regional differences between North and South. The less they are de-legitimised in the eyes of the North Korean population, the more successful they would be in endangering national integration. Should, however, these political elites be provided with incentives to integrate into the all-Korean power and institutional framework, then the transformation of regional differences into political fault lines seems unlikely. Having said that, the specific interests of the North Korean population may go without institutional representation in such a scenario, which would at least retain the possibility of a counter-elite establishing itself as representatives of the North Korean population. Yet if such a politicisation of North Korean interests and experiences does not occur, then growing dissatisfaction could lead to a lack of support for and acceptance of the institutions and actors of the re-unified nation state on the part of the North Korean population.

Given the uncertain nature of future developments on the Korean peninsula, the German experience offers no precise answers as to what could be an optimal balance between elite replacement, elite continuity and elite import or between the integration of regional sub-elites and the representation of the highly divergent experiences and interests of North and South Korea, nor is it possible to say what combination of transformation and re-unification may evolve on the peninsula. What the findings concerning the German case do

suggest, however, is that a balance of the various options may in fact help mitigate their respective negative side-effects.

Two conclusions arise regarding the theorems of the ‘new elite paradigm.’ On the one hand, the preconditions for the genesis of elite integration must be investigated more closely. In this sense, antagonistic cooperation does not require a consensus with respect to the rules of access to and distribution of power in an existing or future political system, but can nevertheless imply cooperation between elites who otherwise stand in antagonistic opposition to one another. The preconditions for this are the stability of the status quo and parity between elites involved. Proceeding from this basis, cooperation guided by the pursuit of perhaps not common, but at least not diametrically opposed interests, can potentially develop. Should such a cooperation repeatedly prove successful, a level of reciprocal trust is then established which in turn perpetuates and sustains this cooperation. Antagonistic cooperation can thus function as a precursor to a consensually unified elite, although it tends also to effect a stabilisation of the status quo, thereby preventing further elite integration.

A further aspect in need of closer examination, apart from the relationships between elites, concerns the consequences of elite integration for relations between sub-elites and their constituent population groups. Asymmetry in the pace of elite integration and that of the general population can engender an alienation between elites and segments of the population, which in turn is dysfunctional for processes of national integration. As a consequence, although elite integration by all means represents a necessary condition for national integration, it is certainly not a sufficient one.

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Cooperating Associations / Networks / Journals

QUANTUM (Association for Quantification and Methods in Historical and Social Research) <http://www.gesis.org/en/hsr/profile/quantum>.

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Special Issue: Jason Hughes & John Goodwin (Eds.): Figural Analysis as Historical and Comparative Method: Established-Outsider Relations.

Previous discussions of Elias's figural methods have focused on the model of time series analysis of informal data sources best exemplified in *On The Process of Civilisation*. More recently, others have sought to formalise Elias's methodological approach as a whole, distilling the key elements of his various methods to a number of core analytical procedures. The aim with this HSR Special Issue is to extend such existing work, considering the enduring reach and breadth of Elias's 'figural' analysis through a focus on his study of established-outsider figurations in a suburban community. The model of established-outsider relations has been extended to inter alia the development of inter- and intra-state conflicts, the formation and collapse of supranational entities and authorities, the tensions between globally distributed communities. This collection of papers explores the enduring conceptual and empirical utility of Elias and Scotson's study. Contributions include considerations of 'established-outsider figurations,' 'double-binds' and 'decivilising processes' in relation to 'Jihadist terrorists', the sociogenesis of 'the museum', the complexities of established-outsiders relations in Canada, health promotion interventions in a Danish high school, and the social integration of gypsy-travellers / Roma.

Forum: Everhard Holtmann & Eun-Jeung Lee (Eds.): Knowledge Transfer as Intercultural Translation. The German Reunification as a 'Lesson' for Korea?

This HSR Forum refers to a transfer project, funded by the German Research Foundation and the Ministry of Unification of the Republic of South Korea. During this co-working project, empirical results of the German unification process as well as theory-based approaches which may explain these processes were outlined, and their relevance to possible developments on the Korean peninsula was discussed. The articles of this HSR Forum contain synopses of these discourses on selected fields of change: 1. privatization and leading management, 2. development of labour markets, 3. entrepreneurship, 4. political and administrative decentralization, 5. psychosocial coping with system changes, 6. generations and social structures in socialist and postsocialist countries, and 7. change of elites. All reflections and empirical results are embedded in the current state of international transition research. German experiences are not understood as the one and only 'blue-print' for further developments in Korea, but are particularly reflected in regard to existing differences between Korea and Germany.

