The Vicious circle of the Identity of the East German Masses -- the Dilemma of the Construction of the German Common National Identity

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Abstract. After the World War II, Germany was divided into two parts, the East and the West carried out social economy and national construction for half a century under the guidance of planned economy and market economy separately. The longer the division of Germany, the greater the gap between east and west in terms of economic system, political culture and so on. Now, Germany has been unified for more than 30 years, and the economic integration between the East and the West has achieved remarkable results. However, in terms of identity, there are still barriers between east and west that hinder the construction of a common German identity. In order to figure out what factors hinder the German identity forming, through reviewing history of the process of German economic integration, unequal economic developing structure was found that it could be origin of the barriers.

Keywords: German reunification, Economic integration, Identity.

1. Introduction

Germany was reunited after more than 40 years of division after the World War II. However, during the division period, East and West Germany developed separately for nearly half a century under different social and economic systems and ideologies, leaving a distinct historical imprint on East and West Germany. Over the past 30 years, the reunified Germany has made many efforts in the economic integration of East and West Germany, with great results. Nevertheless, although the Berlin Wall has collapsed in reality and the economic system of East and West Germany has been integrated, the Berlin Wall still exists in the mind of the people of East and West Germany, which divides the Germans into different groups and constructs a group cultural identity in level of sub-country, where the group identity of the "East Germans" is inferior as the status of "second-class citizens". After the outbreak of the refugee crisis in Germany, the "Berlin Wall" in the minds of East Germans not only separates them from their Western compatriots, but also excludes new immigrants from the Middle East. In the process, the barriers in the different groups of Germans' minds are strengthened.

2. The German Division: An Overview

2.1 The economic fragmentation of Germany

After World War II, the industry, economy and many other aspects of Germany were seriously damaged by war, and it was basically in a state of semi dysfunction. What to do with Germany's existing assets after the declaration of unconditional surrender was entirely in the hands of the Allies. At the Yalta Conference, the United States, the United Kingdom and the Soviet Union reached a principled agreement on how to deal with Germany after the war: the United States, the United Kingdom, France and the Soviet Union carried out the partition occupation of Germany, set up Allied Control Council for coordination and management, and required Germany to disarm, dismantle military facilities and military industries, punish war criminals and eliminate the influence of Nazism and militarism in Germany. On March 28th, 1946, Allied Control Council issued the plan concerning reparations and post-war German economical level, deciding to confiscate all German overseas assets, detain all German naval and commercial fleets, and demolish German industrial facilities. Through

the implementation of the plan, the Allies intended to eliminate Germany's military power, revolutionize Germany's economy and make the war-damaged countries compensated from Germany's remaining assets.

In the early postwar period, the supply of daily necessities in Germany, including food, was quite short, and its distribution still followed the rationing system implemented by the Third Reich during the war, that was, quotas were imposed on social production and consumption in the form of tickets, and wages and price levels were strictly limited to maintain social and economic stability. However, it was such a precisely directive plan for the economy that seriously frustrated the enthusiasm of producing and working, further weakened the supply, which brought serious inflation, making the Reichsmark unable to assume the function as a kind of currency, and the German economy essentially reverted back to the barter mode. The need for monetary reform to restore order to German production and economy was urgent. But the conflict of interests between the occupying powers was so great that the East and West failed to agree on a common currency reform, and there was a serious disagreement over "Germany as a full sovereign state". In 1947, out of the need to revive the European economy, stabilize the political situation and deal with the threat of the Soviet Union, Britain and the United States economically merged their occupied areas into the dual occupation zone, which subsequently included the French occupation zone to form the Western occupation zone. Then, the Western occupation area started monetary reform and market economy system construction, and embarking on the economic recovery of western Germany. The Allies established a central banking system in West Germany based on the banking system of the United States, and abolished the Reichsmark and issued Deutsche Mark. At the same time, the Western Occupation zone lifted price restrictions on most commodities except for major necessities such as food, raw materials, energy and housing, thereby stimulating industrial production and investment. In addition, the German economic sector encouraged the expansion of reproduction through the tax exemption of part of the firms' profits. Within a few months, the growth rate of German industrial production rose to the highest level in its history. The reform achieved remarkable results, and the construction of market economy system in the Western Occupation region took shape.

Since Soviet Union took over the eastern German occupation area, in order to stabilize the circulation of money, it closed all the banks and froze the bank deposits, and implemented the central planning economic system in its occupation area with the reference of the Soviet Union. Contrary to the conscious retention of German industry as the United Kingdom and the United States did, the Soviet Union dismantled a large number of railways in East Germany and re-installed them in the Soviet Union, confiscated 213 large enterprises in East Germany that accounted for about 30% of the regional industrial production capacity, and used 25% of the total social output value of the Soviet occupation area as war reparations and military supplies. In addition, the Soviet Union also gradually reduced the proportion of private economy in handicrafts and commerce through the cooperative movement, and the number of private enterprises gradually decreased due to various restrictive policies. The ownership structure in East Germany gradually shifted from private ownership to public ownership. After the currency reform of the Western occupation area, out of the Reichsmark still retaining its value in the Soviet occupation area, and avoiding the inflation caused by a large number of Reichsmark flowing into East Germany after the currency reform of the West Germany, the Soviet Union had to issue a new currency named the Eastern Mark hurriedly, which was implemented four days later the issuance of Deutsche Mark to replace Reichsmark. At this point, the western occupation area and the Soviet occupation area had already implemented two sets of completely different social economic system and monetary system, marking that the economic division of the two Germanys began.

2.2 The formal political division of Germany

On May 23rd, 1949, Basic Law for the Federal Republic of Germany came into effect, and the West Occupied Area as an embryonic Federal Republic of Germany was established as an independent country. The Soviet Union declared that the western countries were splitting Germany

and refused to recognize West Germany as an independent state, and let the German People's Council hold a plenary meeting in Berlin and unanimously passed a resolution to establish the provisional house and organize the provisional government of the German Democratic Republic. On October 7th, the German Democratic Republic was established in the Soviet-occupied area, and the division of Germany for more than 40 years began.

3. Successful economic integration

3.1 The establishment of German monetary union

After half a century of development under different economic systems, there has been a world of difference in economic construction between the East and the West: the gross domestic product of the planned economy guided GDR accounted for only 15.8% of that of the Federal Germany, and the per capita annual disposable income of the East was only half of that of the West. The huge economic development gap triggered a large wave of migration to the west, and the calls for reform and reunification in East Germany became increasingly strong. In early 1990, demonstrations with slogans such as "Germany, a united motherland" and "If the Deutsche Mark doesn't come to us, we'll head to Deutsche Mark" broke out across the GDR. In August 1990, after the realization of monetary unification, the two sides signed the Unification Treaty between the FRG and GDR. On October 3rd of the same year, Democratic Germany was merged into Federal Germany according to Article 23 of Basic Law for Federal Germany, and Germany was reunited.

Before the formal reunification of Germany completed, East and West Germany had already embarked on their economic integration. In May 1990, the two sides signed Treaty establishing a Monetary, Economics and Social Union, in which the Deutsche Mark, the currency of the Federal Republic of Germany, became the only legal tender in the two countries. According to the treaty, "wages, salaries, scholarships, pensions, rents, leasehold payments and other revolving payments were exchanged at a 1:1 ratio", and "other Eastern Marks and debts were exchanged at a ratio of 2:1. In addition, the treaty stipulated that people of different ages could exchange a limited number of Deutsche Marks at a 1:1 exchange rate. The exchange rate of Eastern and Deutsche Mark stipulated in the above treaties was not determined by the level of labor productivity of the two Germany, but was artificially overvalued the value of the Eastern Mark [1], which was generally based on three considerations:

First of all, the labor productivity level of East Germany was far lower than that of West Germany. The currency exchange rate determined according to labor productivity would significantly reduce the money and wealth of East German people, aggravate the income gap between East and West Germany, intensify the potential migration pressure from East Germany, and affect the unification will of East German people and the economic transformation of East Germany [2]. Secondly, it was difficult to make a corresponding comparison between West Germany and East Germany under two different economic systems. A simple and quick way should be pursued to avoid the risks caused by speculation and chaos [3]. Thirdly, the overvaluation of the Eastern Mark would lead to a sharp decline in its economic competitiveness, resulting in rapidly breaking away from the CMEA system and reintegrating into the Western economy.

In July 1990, the Deutsche Mark replaced the Eastern Mark and the monetary union was formed. The original material distribution and financial accounting system under the planned economy of East Germany was replaced by the principle of market economy and the modern commercial bank system established on the basis of it. The goods, financial and monetary systems of East Germany were integrated into West Germany. In the newly established monetary union, the stability and development of East Germany's economy were completely led by West Germany, and the two sides became inseparable entities economically. Despite the massive unemployment caused by the lack of competitiveness of former East German enterprises in the process of state-owned enterprise privatization [4], East Germany was able to avoid supply shortage and serious inflation during the

painful period of transition from planned economy to market economy with the relatively stable Deutsche Mark.

3.2 Financial subsidies - East Germany's dependence on West Germany's economy

Although the stable Deutsche Mark helped East German area go through the transition period, the huge economic gap between East and West Germany still cannot be ignored, and this transformation pattern has created a long-term situation in which East Germany's economy is heavily dependent on West Germany's. It was reflected in West Germany's financial support for East Germany. In January 1995, the Federal Government launched a ten-year policy aiming at reducing the gap in production and consumption and economic imbalances between the two German regions. It required Germans to pay a "unified surcharge" of 5.5 per cent of payroll taxes to fund annual fiscal transference to the newly annexed East. In addition, the rich states in Germany were also obliged to carry out excessive fiscal transference to the poor states. For example, the five rich states in Germany (Hesse, Baden-Wurttemberg, Bavaria, Nord-Wisconsin and Hamburg) transferred nearly 8.2 billion euros as fiscal balance each year, of which 86% was injected into the eastern region.

Stable Deutsche Mark and large financial subsidies from West Germany ensured the stable operation and smooth transition of economic integration between the two sides during the transition period. Prices in East Germany maintained relative stability for a long time [5], the problem of population loss was alleviated [6], and labor productivity in the former East Germany continued to increase, reaching 78% of the level of the former West Germany in 2017. The per capita income of residents was 85% of that of the former West Germany, and the proportion of export output in GDP also increased from 8.2% in 1991 to 25.9% in 2017[7]. In 2018, nearly 70% of Germans were optimistic about the assessment of the German economic situation, and there was no significant difference between the East and West Germans in this assessment. Germans' judgments of the overall economic situation are increasingly converging [8]. It can be seen that in promoting the economic integration between West Germany and East Germany and the balanced development of the region, Germany has achieved a lot since decades of reunification.

4. The predicament of east German identity

4.1 Higher dissatisfaction with Germany's current democratic system

Nevertheless, a survey on the satisfaction of the current democratic system in Germany shows that although the overall satisfaction of German democracy has been on the rise since reunification, the dissatisfaction of the East German people is always 15-25% higher than that of the West German people [9], indicating that the political reintegration between East and West Germany has not been fully completed.

4.2 Differences in values identification and systematic discrimination of "second-class citizens"

First, it is obvious that the level of East and West German people agreeing with socialist values is different. From 1991 to 2018, the support rate for socialist ideas remained above 70 percent in East Germany, approximately 30 percent higher than in West Germany [10]. People born in East Germany have more positive memories of the old East German regime. Although they do not want to return to communism or dictatorship, this attitude indicates nostalgia for social safety nets such as stable jobs and a health care system [11]. It also means that people with higher values of public relations and friendship have difficulties in adapting to the competitive and consumerist economic and social system [12].

Second, East Germans perceive themselves as "second-class citizens" and are treated unfairly [13]. Since the reunification of Germany, although East Germans have been optimistic about the state of economic development, they believe that economically they are far behind their western compatriots and that East Germans have not achieved the standard of living they deserve [14]. Dating back to the

process of German reunification, East and West Germany did not establish a monetary union based on equal economic status, but East Germany merged into the economic system of West Germany. During the process of economic transition, the artificially overvalued value of the Eastern Mark made East Germany's economic competitiveness decline sharply and east Germany's economy became highly dependent on West Germany. In the period of development after reunification, the model that east Germany's economic dependence on West Germany did not fundamentally change for a long time. This relative disadvantage in economic status caused a strong sense of deprivation for East Germans. This sense of deprivation created identity differences between East and West Germans, with East Germans suffering from group discrimination, disapproval and belittling. Therefore, East Germans would prefer to use revenue to alleviate the inequality between East and West Germany and to change the status of "second-class citizens" of East Germans, rather than for foreign immigrants. East Germans are more likely to reject liberal immigration policies, to be more conservative in their stance towards refugees, and to feel marginalized for not being integrated into the Federal Republic [15]. This interest appeal of East Germans is politically manifested as their dissatisfaction with the unfair status under the existing democratic system and their strong anti-immigrant and anti-Islamic tendencies. In addition, East Germany is underrepresented in political positions, with only a small number of East Germans occupying higher positions [16], and in Germany as a whole, it is estimated that less than 2% of the elite are East Germans. Even in eastern Germany, the figure is only 23 per cent. While East Germans are still the vast majority of members of regional governments in eastern Germany, their share declined from 2004 to 2016. Importantly, however, outside politics, the underrepresentation is particularly acute: East Germans are woefully underrepresented in the top jobs in many fields including business, research, media and the military [17]. The lack of adequate elite representation in many areas, including politics and social life, is leading to a negative attitude towards the existing political system and a desire for new political forces to break the existing imbalance. It also explains why the Alternative for Germany party, a political upstart founded in 2013, has gained support in eastern Germany with its anti-immigrant populist image and its slogans corresponding to East German identity like "East Rising!" were successful, winning twice as many votes in the East as in the West.

4.3 A vicious cycle of paradox

In order to figure out the meaning of east Germans' identity, it is necessary to review the history of German national identity. Due to the guilt and reflection on the Nazi genocide and war atrocities, for a long time after the end of the Second World War, the German people generally adopted an attitude of avoiding their "German" identity: in the West Germany, the German people put their emotional identity for the country and the nation on the western democratic system and the western liberal world; In East Germany, on the contrary, East Germans based their national emotional identity on the collective identity of the socialist regime, values and the socialistic party. With the reunification of Germany at the end of the 20th century, in response to the question of "who is German", the construction of German national identity returned to the public vision. After the reform of the German Citizenship law in 2000, Germany recognized the principle of region and parent-child relationship as the criteria for defining Germans, meaning that children born to foreign parents in Germany would be also considered German citizens. This indicated that Germany had had a more diverse ethnic composition than the past, and it also meant that Germany would adopt a more open and inclusive attitude to cope with this change, and accept immigrants as a part of German national culture. Based on the new type of economic communitarianism and new liberalism spirit, 25 media company launched "you are German!" campaign aiming at inspiring every German to contribute to Germany's economic prosperity. In this movement, German citizenship and participation were defined mainly in terms of individual struggles and abilities, rather than ethnicity, region, and social background [18]. It was this loose threshold of identity that provided the possibility for the construction of German national cohesion which is more extensive and more consistent with the current national composition of Germany. The construction of this national identity is particularly

important after a large number of refugees from the Middle East poured into Germany. According to statistics, the natural growth rate of population in Germany has been being negative since 1972, and the problem of population aging and labor shortage has become increasingly serious. The refugee wave has brought a large number of potential labor population to Germany. Therefore, how to guide these refugees to employment and inject vitality into the economy is an important issue Germany facing at the present stage. It means that first of all, the German government needs to provide basic public services such as shelter, medical care, education and vocational training for these refugees through fiscal expenditure and relevant policy support.

However, for East Germans, the predicament of "group discrimination" in East Germany caused by the relative deprivation in economic development mode and the lack of adequate representation in political and social fields makes them have stronger demands to solve the current inequality, rather than pay for the basic public services for new immigrants. In addition, the conflict between Christian culture and Arab Islamic culture and the social security problems caused by refugee crimes further erodes the acceptance of East Germans to refugees, and populism and xenophobia are increasingly on the rise in East Germany. It is further aggravating the difficulty of integrating new immigrants into Germany, and also encouraging the resistance of new immigrants, and the construction of German common national identity is caught in a dilemma. For the new immigrants, they do not have much sense of identity and responsibility for Germany. Immigrants from the Middle East have difficulty in integrating into the local community and refuse to obey the management of local community. A planned integration course for 480,000 refugees ended up with only 280,000 enrolled. Employment oriented German course only had half of expected attendance. It leads to a very weird and vicious cycle: east German people strongly demand to improve the status of inequality, and to change the status requires the change of the old economic development model of East Germany heavily depending on West Germany, which requires East Germany to adjust its economic structure, bringing up new employment and labor demand. New immigrants could be an accessible therapy for the lack of labor force east German facing recently. However, East Germans, also based on demands to change the group inferiority of "second-class citizens", resist the newcomers and refuse to pay for providing them with basic public services. It leads to the difficulty of new immigrants constructing German national and cultural identity. As an unacceptable group, they are less enthusiastic in employment and economic value creation, etc., and gradually become a kind of burden on German social security system, which is about to make East Germans resist and reject new immigrants further. A vicious and paradox circle formed. To some extent, East Germans are transferring their resentment of their "second-class" status to the new immigrants, only resulting in perpetuating discrimination against themselves.

5. Conclusions

Although the West German government succeeded in integrating the East German economic system into the West German economic system by overvaluing the value of the Eastern Mark, this process led to rapid collapse of the former East German economic model. A large number of unemployed people appeared in the East Germany in a short period of time, forming the high economic dependence of the East Germany on the West Germany, which has not been fundamentally changed since the beginning of the reunification of Germany. The East German people have a strong sense of relative deprivation. They believe that the East Germans, as a group, do not enjoy the economic development fruits of more than 30 years after the reunification of Germany equally with the West Germans, but are regarded as "second-class citizens" and suffer from group discrimination. In addition, the insufficient representation of East Germans in politics, society and many other fields has also led to the rising calls of East Germans for changing the situation of inequality. "East Germans" identity dilemma contributes to the east Germans' exclusion for new immigrants, it also makes the east fall into a vicious cycle: When East Germans are transferring their dissatisfaction with the current economic development and distribution in Germany through the rejection attitude towards

new immigrants, they are about to kill the potential power to change the unequal situation, thus solidifying the inferior status of "East Germans" as "second-class citizens". Such identity dilemma is an obstacle to East Germany's satisfaction with the current German government and institutional identity, and the resulting populist attitude of resisting refugees is a departure from the concept of multicultural national construction in Germany. Under this trend of thought, the German right-wing forces have further triggered provocative and racist remarks, which have become potential causes of violent conflicts and humanitarian crises, and even lead Germany, which has not completed the construction of national identity, to a new social tear.

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