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**Establishing A New State
under Human Resource Constraint:
The Experience of the German Reunification**

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Establishing A New State under Human Resource Constraint: The Experience of the German Reunification*

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Abstract

The human resources of East Germany were short in the terms of political integrity and professional qualification to establish the new public institutions modeled to those of West Germany. Dispatching West-German personnel, extensive re-training, and creation of informal personal network were the solution to compensate the shortage and to transfer knowledge and know-hows to East Germany. Reunified Germany established the new public institutions quickly, although the sudden change might discourage East-German personnel's self-efforts to improve their capacities. The German experience suggests that it is difficult for the other ex-socialist countries those cannot expect quick transfer of knowledge and know-hows from the democratic market countries to establish their new public institutions quickly. It would take a long time of a generation and more for those countries to complete the systemic transformations, because the accumulation of the human capital needs the long period.

Key words: German reunification, Government, Human capital, Systemic transformation, Economic transition

JEL classification: H10, N44, O15, P20, P37.

Highlights:

- Human capital for operating state institutions is short in systemic transformation.
- Transfer of knowledge and know-hows is needed to solve the problem.
- Dispatching West-German personnel, re-training, and informal network solved it.
- Applying the German solution to the other ex-socialist countries are difficult.
- A generation or more are needed to complete the systemic transformation.

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1. Introduction

The study aims to find key factors to a successful establishment of a new state apparatus in the systemic transformation from the experience of the German reunification. Because of the peculiarities of the German reunification, it seems better to explain the terminology in this paper first. The paper uses the term of 'public institutions' hereafter to express 'state apparatus' that includes the whole set of laws and rules, organizations to enforce the laws, and human resources necessary for administering and operating those institutions. Note that the public institutions in this paper excludes the legislative and military institutions. Accordingly, I use a term 'public workers' which refers to the people who are employed by the public institutions. The public workers exclude the members of the parliaments and assemblies and the soldiers. The terms of 'state' and 'nation' are confusing to describe the German reunification. The German reunification was undoubtedly a 'nation-wide' matter, but it is not very wrong if we say that the federal public institutions of West Germany and the public institutions in the West-German area little changed, as we see in detail below. The analysis of this study mainly concerns what happened in the East-German area before and after the German reunification. Thus, the terms referring to one national state must be avoided. I use the term of 'reunified Germany' to refer to the entire Federal Republic of Germany (FRG) after the German reunification. When I need to clearly indicate West Germany and East Germany as the national states before the German reunification, I use the 'Federal Republic of Germany (FRG)' and the 'German Democratic Republic (GDR)', respectively. However, the nouns 'West Germany' and 'East Germany', and the adjectives of 'East-German' and 'West-German', are used to refer both to the geographical areas before and after the German reunification, and to the FRG and the GDR as independent national states. Berlin that was geographically located in the GDR and divided into West- and East Berlin gives another complication, but I do not set any strict rule of the terminology for the situation of Berlin. I try to make the descriptions on Berlin to be easily understood what refers to which. Moreover, the term of 'state' is used hereafter exclusively to refer to the first level administrative division of the FRG and reunified Germany, the federal state (Land), in this paper.

The starting point of the systemic transformation of the East-European and the former Soviet (hereafter, 'ex-socialist' for the simplicity) countries was to legislate laws fitting to the democratic polity and the market economy (hereafter, the 'democratic market regime' for the simplicity) and to make the institutions enforcing the laws operate (Braun et al., 1992, pp. 1–3). It would be the best to complete the new public institutions at once because a vacuum of law and order is never allowed. However, the construction of the public institution undoubtedly takes relatively long time. For example, a new tax system fitted to a market economy needs not only constituting tax laws and regulations, but also the physical infrastructures of tax offices and other organizations, and the human

resources such as tax officers, tax attorneys, legal experts in companies to operate those organizations. People need to be educated and, by the common sense, to accumulate their experiences practicing the laws on their jobs before they become useful human resources or human capital in their fields. Enacting laws would take relatively short time, although it would be certainly accompanied by technical and political problems (EBRD, 1994, p. 47). Physical infrastructures of the public institutions would be built quickly, although the speed depends on the availability of funds. In contrast, accumulating human capital seems to need a long time, which is probably measured by the unit of 10 years or generation. Building up the human resources is probably the most significant factor controlling the speed of establishing the new public institutions suited to the democratic market regime.

For the systemic transformation of the ex-socialist countries, the problem of human capital development involved additional complexities. What they were facing was not a simple shortage of human capital, but a restructuring of the existing human capital stock that was relatively well trained to fit to the socialist regime. It was a problem of mismatch between the human resources required by the socialist regime and that required by the democratic market regime. Most ex-socialist countries were middle-developed industrial economies. If we measure the level of industrialization by the share of the industrial GDP, those countries showed the high levels of industrialization (Figure 1). Figure 1 also indicated that the low development of the service sector including public services was the common characteristic in those countries, excluding Hungary and Poland.¹ The enrollment ratio to the secondary and tertiary education were also mostly high in those countries (Table 1). Because their per capita GDP is generally higher than the eligibility threshold for an ODA receiver, the Japanese government usually did not give ODAs to those countries, excluding ODAs for environmental projects (Nikkei, 29 Nov. 1993).² All these suggested that the ex-socialist countries possessed human capital stocks that were educated and trained well, but casted to the socialist regime. It seems unknown which is easier, to build a new human capital stock from scratch, or to restructure the exiting human capital stock. Restructuring the existing human capital stock is not easy because virtually no public worker in the ex-socialist countries has experiences to live in a democratic market regime and, thus, to enforce the laws fitted to that regime, even if they understand the principle ideas of the regime (Pitschas, 1991, pp. 457–459; Koenig, 1992b), while they know well about the public institutions in the socialist regime. The main problem is related with neither the cultural and historical characteristics of those countries, nor the personal capabilities. It is just the lack of the experiences. This implies

¹ The low share of service was the result of that the priorities were given to the heavy and military industries. See Ofer (1987).

² The references to the newspaper articles are shown in this format. See the references for the abbreviations of the names of the newspapers used.

that new public institutions would get working more efficiently and effectively with the passage of time, but only with the passage of time that the personnel accumulate their experiences to practice the laws in the democratic market regime. The democratic market regime is, however, that what they are creating by themselves.

This general remark on establishment of the new public institutions applies to East Germany as well. However, East Germany was an exceptional case where a one-shot introduction of the whole new public institutions and a market economy was executed, and it led to the most successful systemic transformation. The one-shot introduction of the new public institutions to East Germany became possible under the circumstances of the German reunification, or it would be more exact to say that the German reunification was equal to the one-shot introduction of the new public institutions into East Germany. Thus, it does not seem fruitful to propose following the lessons from the German reunification to the other ex-socialist countries. This is not the purpose of this study. The analysis of the one-shot introduction of the new public institutions in East Germany, nevertheless, gives important implications about the factors to make the establishment of the new public institution successful.

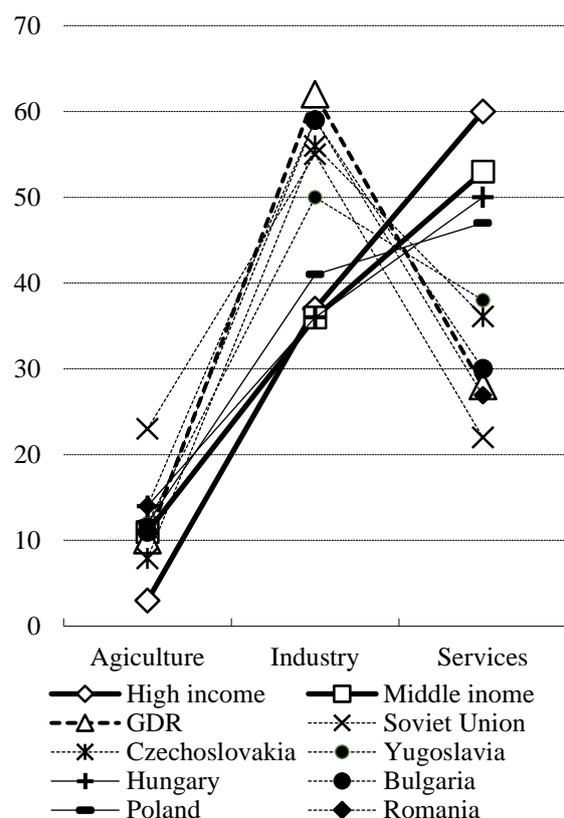
The scope of this study is limited mainly to the public institutions including the local governments and the organizations providing public services as the parts of the federal organizations in the East-German area. The federal public institutions were excluded from the subject of the analysis, because they are, de facto, the same as the central public institutions in the time of the FRG. The problems of the shortage of human resources and the human capital restructuring in the contexts of the systemic transformation did not exist at the national level in the German reunification. In short, the German reunification meant that the central and local public institutions of the FRG were geographically extended to East Germany. Human resources of the FRG certainly became short because of the increasing workloads and the unprecedented jobs of the German reunification; however, the FRG did not need to restructure her human capital stock in qualitative terms. This is the important difference between the German reunification and the systemic transformations in the other ex-socialist countries.

The shortage of human capital in the business sector is also excluded from the scope of the study. The shortage of human resources such as entrepreneurs, managers, and experts in the fields of accounting, marketing, financing, and judicial affairs certainly is impeding the transition to market economy in the ex-socialist countries (OECD, 1992, p. 29). However, elimination of the shortage of human resources in business is probably regarded not as a pre-condition of the systemic transformation, but as its goal. If we assume potential business abilities of people in the ex-socialist countries are not significantly different those in the other parts of the world, potential entrepreneurs start showing their potentials mostly by themselves as the transition to market advances. Enterprises invest in human capital to be more competitive, and people make efforts to

increase their value in labor market. In a market economy, we can basically leave the building-up of human capital to the self-organizing mechanism of market. This seems to be the very reason why the transition to market should be done. In contrast, the shortage of human resources in the administrative and public service sectors hinders maintaining the legal order that is the precondition for operation and development of a market economy (Braun et al., 1992, pp. 1–3; Bruner et al., 1993, p. 16; UN ECE, 1992, ch. 6; OECD, 1992, pp. 27–8).

The rest of the paper is organized as following. Section 2 overviews the peculiarities of the establishment of the public institutions in Eastern Germany conducted by the one-shot approach. This makes the differences between the German reunification and the systemic transformation in the other ex-socialist countries clear. Section 3 focuses the selection of the existing human resources done in unified Germany. The analysis shows the initial conditions of the existing human capital at the beginning of the establishment of the new public institutions in the East-German area. Section 4 discuss the measures to overcome the shortage of human resources and to restructure the existing human capital. The section is followed by the two brief case studies on establishing the government office of the Brandenburg state and the employment office network in the East-German area. The case studies show how the new public institutions were established using the measures discussed in Section 4. The final section discusses that the key to establishing new state institution is the transfer of knowledge and know-hows. This was achieved in the special circumstances of the German reunification, although it was not free from problems. In contrast to the German unification, the other ex-socialist countries hardly have the ways to transfer knowledge and know-hows from countries under the democratic market regime. It will, therefore, take long time measured in the unit of generation to complete the systemic transformation in the other ex-socialist countries.

Figure 1. The level and pattern of industrialization of the ex-socialist countries (%)



Note: % of the sectoral GDP to the total GDP.

Source: The World Bank, *World Development Indicator*, 1992.

Table 1. School enrollment ratios.

	Secondary	Tertiary
Lower-middle-income	54	16.8
China	44	1.7
Romania	88	8.6
Poland	81	20.3
Bulgaria	75	26.2
Albania	80	8.5
Upper-middle-income	56	17.3
Hungary	76	14.7
Yugoslavia	80	19.0
Czechoslovakia	87	17.6
High-income economies	95	42.4
OECD members	95	42.7
Former Soviet Union	*81.2	

Notes: *Secondary:* enrollment ratio to the secondary education, % of the age group in 1989; *Tertiary:* enrollment ratio to the tertiary education, % of the age group in 1989; *: the share of the people graduated from secondary or higher school to the age group 15 and over.

Sources: The World Bank, *World Development Indicator*, 1992; Goskomstat SSSR, *Sotsiali'noe Razvitie SSSR*, Financy i Statistika: Moskava, 1990, p.216, for the former Soviet Union.

2. Peculiarities of establishment of public institutions in the East-German area

The systemic transformation of the GDR belongs to the class of systemic transformation from the socialist to the democratic market regime. However, there are many peculiarities of it, because the systemic transformation of the GDR was executed in the form of the German reunification. This section discusses following four peculiar points of the systemic transformation of the GDR closely related to establishing the new public institutions: the nearly total dissolvment of the central public institutions of the GDR; the nearly perfect coping of the West-German public institutions to the East-German area; the heavy aids from West Germany; and the uncompromising pursuit of the political responsible cadres and political criminals of the socialist regime.

2.1 A nearly complete dissolvment of the public institutions of the GDR

The two Germany were unified in the following way: First, the 15 prefectures (Bezirk) of the GDR formed the 5 federal states, dissolving themselves. Next, those new 5 states applied to joining the FRG following the FRG constitution. Finally, the FRG accepted the application to complete the German reunification (EV, 1990, Art. 1). Thus, the German reunification was virtually a geographical extension of the FRG to the East-German area.

This form of the German reunification resulted in the almost complete dissolvment of the East-German public institutions at the central and prefectural levels. It is not unusual that the old public institutions were dissolved in the systemic transformation in the other ex-socialist countries; however, there was no other case comparable to the East-German case where the old central government was completely severed from the new central government in terms of organizations and personnel. Moreover, the public institutions at the old first level administrative division (prefecture) were also dissolved completely in the East-German case.

2.2 A nearly complete copy of the West-German public institutions

The German reunification was to apply the West-German laws to the East-German region, excluding a few of exceptions (EV, 1990, Art. 8, Anlage I). It would be more appropriate to use the term 'replace' instead of 'copy' to describe the situation. As discussed later, the public institutions at the second administrative level, that is, municipalities, in the East-German area were also restructured modeling after the West-German municipalities. The term 'copy' would be appropriate at the municipality level.

This method to unify West and East Germany was chosen because most people of both West and East Germany understood that the public institutions of West Germany had been working generally more successfully than those of East Germany. At the same time, the copying strategy probably reduced costs of establishing the new public institutions in comparison with establishing them from scratch. Moreover, the 'copying'

strategy could clearly show the goal of the German reunification in the form that anyone could easily imagine. The goal was the FRG. This reduced political disputes and conflicts over the selection of the transformation strategies and the goals of the transformation. The 'copying' strategy solved one of the most difficult problems in a drastic structural reform: getting continuous political support for the reform policy and keeping the reform policy consistent in the middle- and long- term (WB, 1990).

On the other hand, the 'copying' strategy meant that there was virtually no other choice to establish the new public institutions in the East-German area under the supervision of West-German experts. This gave bad influences in sociological and psychological terms on the East-German people to some extent, as discussed later. It was, however, logical that West-German experts who knew the West-German public institutions better directed the transformation if the copying strategy was adopted (Koenig, 1992a).

2.3 Aids from West Germany

It was natural that West Germany helped the systemic transformation in East Germany because the two Germany were unified into one nation. There was no doubt that West Germany's strong economic power benefitted the systemic transformation in East Germany. UN ECE (1992, pp. 180–6) reported that public funds transferred from West Germany to East Germany amounted to the total of 96 billion USD, that is, 5,850 USD per capita of East Germany only during the period from 1990 to the second quarter of 1992, while the total public aids from the West to the other ex-socialist countries during the same period were 40 billion USD, that is, around 100 USD per capita of those countries. Moreover, a half of the 40 billion USD was accounted for by financial aids to rescheduling of the accumulated foreign debts of those countries. Not only the difference in the aids between two cases was impressive, but also the absolute amount of the aid from West Germany to East Germany was remarkable.³ The public fund transfer, which includes the net transfers from the federal and West-German local governments, the Reunification Funds, the German social security account, the EU, and the ERP, excluding the transfers from the German Telecom, the German Post, and the German Railway, was 150 billion DM in 1992, 148 billion DM in 1993, and envisaged to be 150 billion DM in 1994 (SVR, 1992, p. 146; SVR, 1993, pp. 151, 187). The scheme of public financial aids of West Germany to East Germany expected to be changed and the financial aid would decrease after 1995; however, it was certain that the public financial aid of West Germany to East Germany would continue in a large scale in the mid-term (SVR, 1993, pp. 151–154).

³ The total amount of net official development aids including both grants and lending from all developed countries to all developing countries was 54.6 billion USD in 1992 (WB, 1993, p. 10).

One notable benefit for the East-German systemic transformation was that West and East Germany used the same language. Moreover, there were several other developed countries under the democratic market regime such as Austria and Swiss had personnel of their public institutions who were native German speakers. This obviously helped transferring knowledge and know-hows on operation of the public institutions to the East-German personnel. We return to this point later.

2.4 Uncompromising pursuit of political crimes and responsibilities

The ex-socialist countries pursued political crimes and responsibilities with various levels of determination. Czechoslovakia enacted a law to screen mainly the informants to the secret police from the top-elites (Tolz, 1992). Czechoslovakia also outlawed the old communist regime in 1993; although the actual effect of the law was only to psychologically satisfy the oppressed under the old communist regime (Obrman, 1993). Hungary enacted a screening law similar to Czechoslovakia's one in 1994 and did screening on the top-elites of 10 to 12 thousand (Oltay, 1993; Oltay, 1994). Poland enacted a similar screening law in 1992 and the three Baltic countries did screening of the parliament members in 1992 (Yasmann, 1993). In Bulgaria, a screening bill led to political disputes (Engelbrekt, 1994). Russia was reluctant to enact this kind of law (Tolz, 1992). The Russian parliament discussed a screening bill in 1993; the bill had little chance to be approved (Yasmann, 1993). No ex-socialist country did screening of almost all public workers, excluding East Germany or unified Germany. It was certain that political crimes and responsibilities under the socialist regime were pursued in the most determined way in East Germany.

It was the reunified German government that executed the systemic transformation of East Germany. On one hand, reunified Germany, more exactly West Germany, had the authority to do the screening in the sense that West Germany did not commit to the socialist regime; on the other hand, reunified Germany needed to peruse the political responsibility of the East-German socialist regime thoroughly to clearly show reunified Germany's legitimacy and ability to do it. More practically, the reunified German government needed to prevent the persons who would not be loyal to it from intruding to it. The through pursuit was also necessary to maintain the law order of West Germany. The German reunification meant to bring the law of West Germany to East Germany. It could not be overlooked that something illegal in the western part of reunified Germany was tolerated in her eastern part. The typical case was that reunified Germany accepted the right to claim for recovery of ownership of the immobility and other assets confiscated by the GDR government with the illegitimated procedure under the West-German law. The right to claim was effective to the time of the establishment of the GDR in 1949; The claims for recovery of the ownership could be filed by a simple way to submit an appropriately formatted document by the certain date. BMWi (1993, p. 19)

reported that around 1.16 million claims had been filed until the end of 1992 and 32.1% of them had been processed by then (BMW, 1993, p. 19; FAZ, 27 Jan. 1994). This measure apparently delayed the final confirmation of ownership rights on the immobility and assets and, thus, curbed investment activities (SVR, 1990, pp. 238–9; SVR, 1991, pp. 219–21; SVR, 1992, pp. 94–95; SVR, 1993, pp. 97–8).⁴ This measure, however, undoubtedly contributed to maintaining the West-German law order in the East-German area.

The severe screening of the East-German personnel certainly aggravated the shortage of human resources. The fact that West-German personnel were available was undoubtedly a factor that made the through pursuit feasible. In the other ex-socialist countries, eliminating elites of the socialist regime from the public institutions probably meant eliminating almost all elites from the society; it was, therefore, infeasible. Nigel Lawson, former UK minister, said that the return of the ex-communist party to the Hungarian government after the general election in 1994 would contribute to securing human resources to manage the economy (Nikkei, 16 Aug. 1994). Nikkei (14 Sep. 1994) reported also that the administrative organizations were malfunctioning in Poland and Bulgaria because they eliminated the personnel who had been directly connected to the old communist party from those organizations. In the German reunification, West Germany could cover the deficiency of human resources in the East-German area, although far from sufficiently.

3. Selection of East-German public workers

This section overviews the selection process of public workers of the GDR Germany to obtain a general view on the human resources endowment at the start of establishing the new public institutions in the East-German area. This is followed by the discussion on how reunified Germany managed the shortage of human resources in Section 4.

3.1 The purpose of the selection of public workers

After the German reunification, the selection of the East-German public workers was done to eliminate persons ineligible for the jobs in the new public institutions and to reduce the personnel. The Reunification treaty (EV, 1990, Anlage I, Kap. XIX, Abs. III-1) stipulated the dismissals of the East-German public workers by the selection as follows: First, an East-German public worker whose professional qualification was not appropriate for the post, who was in excess personnel, or whose post was lost because of the

⁴ It was said that the risks of the investors were reduced to negligible after the approval of in 1992. However, SVR (1993, 1994) concluded that the procedure of recovery of the ownership indirectly hinder the investments activities in the East-German area by making supply of ground stocks short.

restructuring of the East-German organization he or she belonged to, would be dismissed. Second, an East-German public worker who violated the human rights, and who worked for the Ministry of State Security, the secret police, was subject to the special dismissal clause.

Reducing the number of public workers in the East-German area was inevitable. The per capita number of public workers was significantly larger in East Germany than in West Germany, while virtually all East-German local governments and public institutions were facing large budget deficits. Table 2 indicates that the total number and the per 1000 population number of public workers were 2.22 million and 135 in East Germany as of July 1990, respectively, while the per 1000 population number of public workers was 73 in West Germany as of June 1990. This comparison, however, was not very reliable, because it was unclear how to define the public workers in East Germany. Even the East-German government did not have the well-defined number of its public workers (FAZ, 27 Sep. 1990). The GDR government was able to supply neither the total number of public workers nor the number of the organizations directly belonging to the central government during the preparation for the Reunification treaty (FAZ, 13 Mar. 1991). Koenig (1992a) wrote that there were figures spanning from 1.9 million to 2.35 million for the total number of public workers of the GDR. The GDR government gave the figure of 2,125,054 as the total number of public workers as of August 1990; there was, however, no solid ground for the number. The situation was not very different at the local governments and the other public organizations in East Germany. It was unknown how many public institutions existed and, therefore, how many public workers were in an East-German prefecture. Thus, what the new state governments newly introduced to the East-German area could do was to roughly grasp the organizations and the public workers they had to succeed by a research of secondary materials and interviews (Mueller, 1992). Despite the uncertainty in the number of the public worker, personnel cuts were needed to reduce budget deficits. All minister-presidents of the new states appealed the necessity of personnel cuts in the public institutions in their first government statements (NZ, 6 Dec. 1990). Munich, the minister-president of Sachsen-Anhalt state, stressed at a meeting held in the college of public administration attached to the federal government in September 1991 that eliminating the elites of the GDR and reducing excess personnel were the preconditions to make the new state government work (Koettig, 1991, p. 1301).⁵

⁵ I use the state names in German.

Table 2. Public workers on June 30, 1990.

Area	Unit 1000 persons			per 1000 population		WG=100	
	Total	WG	EG	Total	WG	a.	b. b./a.
<i>Direct PW</i>	6363	4675	1688	79.6	73.0	106.1	145
<i>FSM</i>	5170	3834	1336	64.6	59.8	84.0	140
<i>F</i>	652	567	85	8.2	8.9	5.3	60
<i>S</i>	2572	1938	635	32.2	30.2	39.9	132
<i>M</i>	1946	1329	617	24.3	20.7	38.8	187
<i>Other PI</i>	56	55	0	0.7	0.9	0.0	
<i>Railway</i>	474	243	231	5.9	3.8	14.5	382
<i>Post</i>	664	543	121	8.3	8.5	7.6	90
<i>Indirect PW</i>	325	277	48	4.1	4.3	3.0	70
<i>Total</i>	6688	4952	1736	83.6	77.3	109.1	141
<i>Population</i>	79984	64074	15910				

Notations: *WG*: West Germany; *EG*: East Germany including Berlin; *Direct PW*: direct public worker; *Indirect PD*: indirect public workers such as teachers and doctors; *FSM*: the federal, state, and municipal governments; *F*: the federal and central governments; *S*: the state governments; *M*: the municipal governments; *Other PI*: other public institutions.

Note: Some rounded errors exist.

Sources: Breidenstein(1992b). Statistisches Bundesamt, *Statistisches Jahrbuch 1993*, Metzler-Poeschel: Stuttgart, 1992, p. 50 for the population.

3.2 The procedure of the selection

As of the German reunification on 3 October 1990, basically all public workers of the GDR sent to stay at home for the period of 6 to 9 months. The public workers who belonged to an East-German public institution were reemployed by the public institution of reunified Germany if the public institutions of unified Germany decided to take over the East-German public institution. If an East-German public institution was not taken over by a public institution of reunified Germany by the end of the stay at home period, the public workers who belonged to the institution were automatically dismissed (EV, 1990, Anlage I, Kap. XIX, Abs. III-1). The number of the public workers of the GDR who were sent to stay at home and not reemployed by the new public institutions was estimated to be 300 to 600 thousand; the exact number, however, unknown (FAZ, 13 Mar. 1991; BZ, 5 Mar. 1991). The reasons why the exact number was unknown were as follows: First, the exact total number of the East-German public worker was unknown as discussed previously. Second, the persons in stay at home could voluntarily exit from the situation by registering themselves as ordinary unemployed, going in vocational re-training, being reemployed in the private sector, and going to pension using the early pension scheme.

The East-German public workers who were employed by the new public institutions went into the screening. The screening was done being based on a self-reporting questionnaire and interviews. In addition, the results of the analysis of the materials from the secret police also had a decisive importance. The analysis of those

materials was not finished yet as of April 1994.⁶ Detailed information of the selection criteria was unavailable. Beismann (1994, p. 598) wrote that Sachsen state issued the uniform criteria for the selection on 3 July 1991. This implied that the selection criteria were not uniform until then. Schmidt (1991, p. 44–45) showed the selection criteria for the teachers that were generally common in the new five states in the East-German area. There were little differences in their contents between the criteria Beismann (1994) and Schmidt (1991) showed. The criteria that Schmidt (1991) showed were as follows: First, a teacher who was a cadre of the youth organization of the communist party (FDJ), an official of the branch offices of the communist party at the prefectural and county levels, a worker of the secret police, a person who were related to the military organizations, or a public worker of the governmental organizations and who was hired as a teacher with or without certification in the latter half of 1989 were ineligible. Second, a teacher who was an informant of the secret police was ineligible. Third, a teacher who taught only one subject of ‘civic virtue’, who taught the Russian language, or who worked as a leader of the child organization of the communist party (Pioneer) was ineligible. The first criterion can be understood as a criterion mixed the professional qualification and the political integrity. The last category of teacher concerned the fact that the communist party intentionally hired the party officials as teacher in the last half of 1989 to secure their job places. The second criterion concerned the lack of the political integrity. The third criterion was to reduce excess personnel.

3.3 Overall result of the selection

Figure 2 outlines the general result of the selection of the GDR public workers. The total number of public worker in the East-German area was reduced from 2.22 million in July 1990 to 1.74 million on June 1991 by 480 thousand (Table 2 and Breidenstein, 1992). It was difficult to know how many East-German public workers were re-employed by the new public institutions, because the 1.74 million public workers on June 1991 included the public workers who were not the public workers of the GDR and hired newly by the new public institutions. Moreover, an East-German public worker who was eligible to be reemployed in the term of political integrity, but not reemployed because of the

⁶At the end of the East-German regime, the disorganization and investigation of the Ministry of State Security began; the Ministry had already destroyed a large volume of its documents already (Werdin, 1990). Moreover, every citizen was allowed to see and correct (falsify) his/her personal document the Ministry hold at the end of the term of the last East-German prime minister; this made the analysis of documents more difficult. Still, a large number of documents survived and the analysis of them continues. Schell and Kalinnka (1991, pp. 48, 114) estimates the number of secret informants called IM (Inoffiziere Mitarbeiter) of the Ministry of State Security was around 100 thousand at any moment and the total number of IM would be, at least, 540 to 550 thousand.

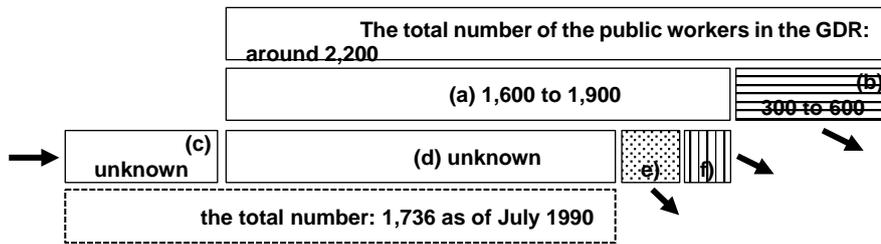
dissolvement of the public institution that he or she belonged to was allowed to apply to a job offer of a new public institution.

It was, nevertheless, likely that the public workers of the GDR who were rejected for being judged as politically ineligible in the screening were relatively few. According to Koenig (1992a), only 345 in the 67,011 public workers who went to the screening in Sachsen state were judged as politically ineligible as of June 1991; The unacceptance rate of the political ineligibility was around 0.5%. Most of the persons who were not re-employed for the political ineligibility reason were rejected for the rather objective reason that they turned out to be informants of the secret police.

Most of East-German public workers who were not selected were those who belonged to the GDR public institutions that were dissolved. It was probably true that unified Germany sought for maintaining employment in the selection process for the social policy reason (Heine, 1993; Koenig, 1992a, p. 555; TS, 1 Nov. 1990). Personnel cuts were, however, inevitable. Even the figure of 1.74 million was unsatisfactory from the perspective of sound public budget. It was planned to reduce the total number of public worker in the East-German area further to 1.2 million to make the per capita number of public worker in the East-German area comparable to that in the West-German area (Keller and Henneberger, 1993, p. 335). It That meant that 0.54 million public workers needed to be cut farther after the reduction of 0.48 million personnel by June 1991.

Before moving to discussions on the detailed influences of the selection of the GDR public workers, it is worth to take a brief look at a constitutionality suit against the selection of the GDR public workers. The suit was brought to court because the suitor claimed not that the selection and screening procedure itself was unconstitutional, but that the procedure permitted to dismiss the whole personnel of an East-German public institution without checking eligibility of the individual public worker of the institution if the institution was decided to be dissolved. The final judgement was that the procedure was constitutional with some minor reservations such as the prohibition of dismissal of pregnant women in the selection process. The grounds for the decision were that saving budget expenditure by cutting excess personnel and fast establishment of the public institutions in the East-German area were public interest and urgent need. Under these circumstances and the constraints of budget and capacity to execute the selection process, there was no other choice to make decisions without doing detailed investigation on individual East-German public worker (FAZ, 5 Apr. 1991; Tettinger, 1991).

Figure 2. Estimated numbers of the East-German public workers (thousand)



Notes:

- (a) The GDR public workers who were employed by the reunified German public institutions on the probation status.
- (b) The GDR public workers who were dismissed because the GDR public institutions they belonged to were dissolved, including the 105 thousand personnel of the Ministry of State Security (the secret police).
- (c) The public workers who were not GDR public worker and newly employed by the new public institutions. The number unknown.
- (d) The GDR public workers who successfully ended their probation period or were in the process of the selection. The number unknown.
- (e) The GDR public workers who were dismissed because of problems in their professional qualifications in the selection process and who moved to the non-public sector. The number unknown; however, it was probably in the order of 100 thousand at the maximum.
- (f) The GDR public workers who were dismissed because of problems of their political integrity. The number unknown; however, it was probably less than 5% of (a).

Source: see Table 2 and the text.

3.4 Influences of the selection on the new public institutions

It may be still too early to analyze influences of the selection of human resources on the various public institutions in details. This sub-section briefly surveys the influences by central to local levels of public institutions, and by occupational categories.

3.4.1 Federal, state, and municipal governments

Influences of the selection differed between the administrative levels of the public institutions. The differences seemed to be accounted for mostly by that how drastic the reform of the public institution was. All central governmental organizations of the GDR became superfluous after the German reunification. The central government of the GDR and its sub-organizations had around 220 thousand public workers. Within them, all 105 thousand workers of the Ministry of State Security, the secret police, were dismissed and not allowed to apply for a public job. Most of 20 thousand workers of the central ministries were also dismissed (TS, 2 Aug. 1990; TS, 18 Sep. 1990; BZ, 27 Sep. 1990). There was, however, the case that most workers of the Ministry for Environment Protection of the GDR were re-employed by the Ministry of Environment Protection of unified Germany, that was, the Ministry of Environment Protection of the FRG (TS, 11 Oct. 1990). Koenig (1992a) wrote that 29 thousand East-German public workers of the central government and its sub-organizations were in stay at home as of January 1991, and 1,900 East-German public workers of the central government and its sub-organizations already judged to be dismissed before March 1991 because of being

informant of the secret police. Assuming that the figure of 220 thousand for the total public worker of the central government and its sub-organizations was correct, that the 105 thousand of the secret police were eliminated at the beginning, and that around 30 thousand decided to be unemployed because of their ineligibility and the expiration of the stay at home period, 85 thousand public workers of the central government of the GDR and its sub-organizations remained as public workers of the new public institution at the central government level. This figure roughly matches with Figure 2. That was, a bit more than 60% of the public workers of the central government of the GDR and its sub-organizations were dismissed. Again, it should be noted that 85 thousand was the minimum number, because it was unknown how many public workers who were not public workers of the GDR were newly recruited to the new public institution of the central government level in the East-German area.

The prefectural (Bezirk) governments of the GDR were also completely abolished and the federal states were introduced. Table 2 shows that the per capita number of prefectural public worker in East Germany was twice large as that of state public workers in West Germany, while the per capita number of public worker of the new states in the East-German area was curbed to 1.3 times of that in the West-German area. Calculating from Table 2, Puetnner (1991), TS (2 Aug. 1990; 18 Sep. 1990), and BZ (27 Sep. 1990), the numbers of public workers of the central government of the GDR, the prefectural governments, the municipal governments, and the other public institutions estimated to be 220 thousand, 960 thousand, 620 thousand, and 400 thousand, respectively. Thus, 350 thousand in around 960 thousand of the public workers, that is, a bit more than 36%, of the prefectural governments of the GDR estimated to be dismissed (Figure 2). A case study in Section 5 will investigate the influence of this reduction more in detail.

At the municipal level, the German reunification caused little immediate changes in the public institutions. Their personnel, therefore, changed little as well. Consequently, the problem of excess personnel remained unsolved (Wollmann and Jaedicke, 1993). Table 2 indicates the number of public worker of the municipal governments in the East-German area was around 620 thousand. If the per capita number of municipal public worker in the West-German area was applied to the East-German area, the total number of municipal public worker should be around 330 thousand in the East-German area. Being based on FAZ (28 Oct. 1993), the personnel costs to employ 300 thousand excess public workers estimated to be around 18 billion DM per year; On the other hand, the municipal governments in the East-German area recorded the total budget deficits of 75 billion DM in both 1992 and 1993 (Table 3). It was probably true that the municipal governments in the East-German area hired by 150 thousand more workers because they had more social facilities such as kindergartens and hospitals in comparison with the municipal governments in the West-German area (FAZ, 23 Oct. 1993). Even considering

this point, the municipal governments in the East-German area still had around 180 thousand excess personnel.

Table 3. Local governments' budget in the East-German area (billion DM)

<i>Year</i>		<i>1991</i>	<i>1992</i>	<i>*1993</i>
<i>States</i>	Income	86.58	96.93	10.6
	Balance	-12.76	-14.37	-18.0
<i>Municipalities</i>	Income	48.30	62.82	67.5
	Balance	1.49	-7.52	-7.5

Note: *: planned figures.

Source: SVR(1993), p. 154.

3.4.2 Influences by occupation

It was probable that influences of the selection were large for politically sensitive occupations. However, we need to consider that a politically sensitive occupation tended to be an occupation specific to the socialist regime, that is, an occupation unnecessary in unified Germany. It was, therefore, likely they were also excess personnel in Unified Germany. For both political and financial reasons, the selection was through for political sensitive occupations. A typical case was the Ministry of State Security. The political integrity of the workers of the ministry were questionable. Moreover, most jobs of the ministry are unnecessary in unified Germany. Teachers of the 'civic virtue' education in the schools, the 'Marx-Leninism' education in the universities, the law departments of the universities, and the economics department of the universities fall in the same class. Almost all departments of Marx-Leninism, law, and economics of the East-German universities were abolished after the German reunification, like the other East-German public institutions. The teachers were sent into stay at home. Then, those departments were established anew. The teachers for those new departments were sought publicly, and the selection used the criteria as same as those the West-German universities used. The teachers of the departments of the GDR universities could apply to the posts; most of them were unsuccessful and dismissed after the expiration of the term of stay at home. Only a few East-German teachers and professors could teach the law of unified Germany, that was, the law of West Germany, as well as the West-German teachers and professors could do. In Economics, few East-German teachers and professors had their publications in the international economics journals. On the other hand, there was virtually no selection and restructuring of the personnel of science and technology departments of the East-German universities, excluding the dismissals caused by the political integrity reason (Nakamura, 1991).

The situation was a bit different for the juristic occupations. It was generally understood that the shortage of juristic personnel caused a bottleneck of the systemic transformation. However, it was unacceptable to re-employ the East-German judges and

prosecutors without sever screening because of the political nature of those jobs. In Sachsen state, 213 in the 600 East-German judges and prosecutors who applied to the screening passed the screening as of May 1991. It was expected that around the half of the 600 applicants would pass the screening at the end (FAZ, 13 May 1991). In Berlin, 43 in the 231 East-German judges and prosecutors passed by the end of the selection (FAZ, 25 Oct. 1993).⁷

In general, a person who took a higher post in the GDR public institutions tended to be moved to a lower post or dismissed (Heine, 1993; Koenig, 1992a). The following two factors may account for this. First, a person who took a higher post in the East-German state institution was likely to have more responsibility for defending the East-German regime. Moreover, the very fact that he or she was successful in his/her career in a public institution of the GDR suggested that it would be more likely that he or she directly or indirectly helped the secret police. Second, it was probably difficult in terms of professional qualification for such person to take a comparable post in public institutions of unified Germany, while it was probably difficult to re-train such person because of his/her advanced age.

In contrast to the political sensitive occupations, there were relatively few dismissals in the operational work-sites. There were few dismissals directly caused by the German reunification in the East-German railways (Reichsbahn) and post (Deutsche Post). The East-German railways had around 250 thousand workers (FAZ, 25 Jan. 1990). The per capita number of railway worker in East Germany was 3.8 times larger than that in West Germany (Table 2). The East German railways obviously had excess personnel; however, the excess personnel should be reduced gradually because it was technologically difficult to instantaneously rationalize the railway operation in the East-German area. Nearly all public workers of polices, fireworks, and medical services who belonged to the local governments were reemployed immediately after the reunification, excluding high-ranking police officers. The case of Berlin was as follows (TS, 11 Jun. 1991; Heine, 1993). The East Berlin city government had 73 thousand public workers in the city and ward offices, and 35 thousand in the medical services. The unified Berlin government re-employed all 57 thousand East-German public workers of the ward offices, excluding around 100 persons who worked as caretakers of rental boats in the city parks. Virtually all 35 thousand medical service workers were re-employed as of the German reunification

⁷ East-German judges and prosecutors could continue judicial works because the Reunification treaty acknowledged the East-German attorney qualification as being valid in the Unified Germany. However, it became open that the socialist government issued attorney qualifications to unqualified persons at the end of the socialist regime. According to FAZ (25 Oct. 1993), the number of attorneys in East Berlin increased from 80 in February 1990 to 713 on 3 Oct. 1990 of the German Reunification. The unified Berlin government decided to bring those attorneys to the re-examination; only three of them, however, were deprived of their attorney qualification as of October 1993.

as well. The 12 thousand public workers of the East Berlin police and fire departments were also reemployed, excluding 2500 workers of the police headquarter who were sent to stay at home as of the German reunification. 2000 in those suspended police headquarter workers were reemployed as of November 1990. Most of the 16 thousand public workers of the East Berlin city office were not re-employed because the West Berlin city office took over the entire area of unified Berlin and the East Berlin city office itself was dissolved as of the German reunification. On the other hand, the unified Berlin city office increased its personnel by 7600 because of the increased works after the reunification of Berlin. The ex-East Berlin city office workers could apply to the jobs; However, it was not easy for them to get the jobs offered by the unified Berlin city office because 4000 in those 7600 jobs were juristic jobs and few East-German citizens were qualified to those West-German juristic jobs. In addition, 8,000 in the 13,300 public workers of the organizations directly attached to the East Berlin city government were re-employed as of the German reunification. The large part of the public workers of those attached organizations were accounted for by the members of the cultural organizations such as opera houses, theaters, and symphony orchestras. The general policy of the unified Berlin government was to give priority to secure employments and to cut the excess personnel gradually.

3.5 Evaluation of the selection

There were two different evaluations to the screening of the politically ineligible persons: Mueller (1992) remarked that only a small number of the East-German high-ranking administrative officers and the nomenklaturas, that is, the persons on the cadre list of the communist party, kept their positions in the unified-German public institutions. In contrast, Koenig (1992a) evaluated that elimination of the East-German cadres worked well at the central government level, while it was little effective at the local public institutions. Koenig (1992a) also noted that most East-German public workers could secure their steady jobs quickly, while many East-German non-public workers had been facing job conversions and unemployment. Derlien (1993, pp. 205–206) concluded that it was difficult to maintain balance between elimination of politically ineligible persons and keeping the public institutions workable, and the balance tended to tilt toward making the public institutions workable by accepting more East-German public workers. Mehlich (1992) commented that there were some collisions between the re-employed East-German public workers who had occupational experiences, but some problems in their political carriers, and the newly recruited public workers who had few occupational experiences, but no problem in their political carriers. It was improbable that the screening eliminated all East-German cadres from the reunified-German public institutions; However, the fact that the screening was executed in the large scale and a certain number of East-German public workers were actually dismissed or demoted gave a clear signal

that the old regime ended, and the new regime started. As Linde (1991, p. 289) pointed out, this effect needed to be valued highly in terms of advancement of the systemic transformation.

From the perspective of occupational qualification, it was generally valid to conclude that the selection of the human resources did not result in that the personnel who the new public institutions needed were selected. As Seibel (1991) and Bayer (1991, pp. 1021–22) noted, by the nature of the East-German regime, there were only few East-German public workers who had the professional abilities that the new public institutions needed. According to DW (3 Nov. 1990), Mr. Diederich, the interior minister of Mecklenburg-Vorpommern state, estimated that the state central government office would have 1,040 vacancies in the following two years, while only 5% of the 2,100 East-German officials of the three prefectures of the GDR in the Mecklenburg-Vorpommern area would be able to satisfy the job qualifications required for the posts. Mr. Diederich's remark might reflect the situation generally well, although the validity of the figure of 5% was unknown. The unified German public institutions, nevertheless, seemed generally successful to recruit personnel with good qualifications in comparison with the other ex-socialist countries, aside the problem of securing the desired number of public workers. In the other ex-socialist countries, jobs in the public sector became relatively unattractive, because the severe inflation and budget deficits sharply decreased the wage level of the public workers, while newly emerging private companies and foreign companies tended to offer the better employment conditions to attract highly qualified workers. The wage level of the East-German public workers was fixed at 35% of that in the West-German area at the time of the German reunification. However, the East-German public institutions offered steady employment, while the employment situation was totally unstable in the East-German enterprise sector. Virtually all East-German enterprises went into bankrupt because of the severe market competition that the German reunification suddenly brought. Moreover, it was foreseen that the wage level of the public workers in East-German area would catch up with the West-German level soon or later. Indeed, the wage level of the public workers in East-German area was increased to 60% of that in the West-German area on 1 July 1991, 70% of it on 1 May 1992, 74% of it on 1 December 1992, and 80% of it on 1 July 1993 (FAZ, 6 May 1991; FAZ, 15 Dec. 1993; SVR, 1992, p. 110). When the Sachsen state government offered job posts, the applicants were 10 times more than the offers (Seibel, 1991). This situation was contrasting to that in the other ex-socialist countries where excellent personnel tended to leave the public institutions (Ilona et al., 1993; Kupka and Rezabek, 1993).

4. Measures to tackle the shortage of human resources

The German reunification meant introducing the West-German legal system into the East-German area virtually instantaneously. It was absolutely necessary to establish

the public institutions to enforce the laws not only for recovering the East-German economy and society, but also maintain the legal order over unified Germany. It was obvious that this task would not be achieved if only East-German human resources were available. The Reunification treaty (EV, 1990, Art. 15), therefore, stipulated that West Germany would provide East Germany with comprehensive helps for establishing the new public institutions (Verwaltungshilfe). Various public organizations of the FRG began to help establishing the new public institutions even before the signing of the Reunification treaty, not in an organized way, but in a rather spontaneous and out-of-need way. It was wrong if we thought that the measures to tackle the shortage of the human resources were well planned and coordinated in advance; They were rather elaborated from the practical needs and conditions. This section focuses on three main measures: dispatching West-German personnel to the East-German area, re-education and re-training, and establishing informal personal networks.

4.1 Dispatching West-German personnel to the East-German area

The dispatch of the West-German personnel to the East-German area was undoubtedly the most important and specific-to-the-German-reunification measure to transfer knowledge and know-hows most important and specific. This sub-section focuses on the overall size of the dispatch and evaluations on it. The case studies in Section 5 will give the dispatches of West-German personnel more in detail.

Koenig (1992a) wrote that there were two phases of the dispatch of West-German personnel to the East-German area: In the first phase, West-German personnel were sent mainly on relatively short business trips in the status of West-German official and on a relatively longer period in the status of advisers.⁸ Koenig (1992a) named this phase ‘the dispatch of commissars.’ The West-German personnel helped preparing drafts of the state constitutions, laws, and regulations, starting-up of the new public institutions, and instructed how to operate the new public institutions. There were also many cases that the West-German state governments undertook parts of administrative works of the new state governments in the East-German area such as drafting state laws, payroll processing, and land registration. The main aim of this phase was to make the East-German public institutions work, efficiently or not.

The ‘commissars’ dispatch phase was indispensable to make the new public institutions work in the situation that the East-German public workers had little knowledge and experiences to enforce the West-German laws and to manage the new public institutions. However, the ‘commissars’ dispatch had been regarded as insufficient

⁸ The Bundeswehr (Federal Defense) operated a shuttle service called Beamtenschuttle (officials' shuttle) between Bonn and the airbase of the GDR military command near Berlin to transport public workers after the German Reunification (Nakamura, 1991).

as the shortage of public workers gradually turned out to continue for a longer period. The 'commissars' dispatch seemed unable to contribute to forming good relations between the local people and the local public institutions. This first phase had moved to the second phase where West-German personnel were sent to the East-German public institutions on long-term business trip and on long-term loan.

Concerning the quantitative aspect, Hoesch (1992) wrote that around 20 thousand West-German public workers were sent to various public institutions in the East-German area as of February 1992. BMWi (1993, p. 25) indicated that the federal government, and the West-German state governments, and the municipalities in the West-German area had 16,137 persons, 8,217 persons, and around 10,000 persons, respectively, sent to the public institutions in the East-German area as of 1 January 1993. The total was around 34 thousand. The state governments in the East-German area depended heavily on the personnel dispatched from the West-German public institutions. According to Koenig (1992a), at the beginning of 1992, 3 in the 5 minister-presidents, and 17 in the 48 ministers of the five new East-German state governments were the persons from the West-German area. The weight of the personnel dispatched from the West-German area was much higher at the class of deputy ministers and state secretaries who were in charge of practical operations of the state governments. In Brandenburg state, 12 in the 13 deputy ministers were persons from the West-German area. Table 4 indicates that 391 in the 1428 personnel, that was, 27.4%, of the central government office of Brandenburg state were dispatched from the West-German area. The actual weight of the personnel from the West-German area was probably higher, because there were non-negligible number of the personnel who found their jobs in East-German public institutions and moved permanently from the West- to the East-German area. Table 4 also shows the share of the West-German personnel became larger as the job class was higher. The differences in the shares by occupation were fairly large, too. The minister-president office of Sachsen state showed the generally same tendency: The minister-president came from West Germany. 24 in the 242 staff members of the minister-president office (232, if the care takers and the drivers were excluded) were dispatched on loan from the West-German public institutions as of 1 February 1993. 11 in the dispatched 24 worked as chiefs of bureau or section, 5 as advisers, 8 as ordinary staff members. In addition to the dispatched 24, there were tens of persons who moved from the West-German area and were employed by the Sachsen state government (SSK, 1993; Herz, 1993).⁹

The number of the dispatched personnel was probably far below the desirable level (Mehlich, 1992, p. 2). The number of mobilized personnel was, nevertheless, colossal in comparison with that for technical assistances for the other ex-socialist

⁹ Herz (1993) himself was an official of the state minister-president office of Sachsen state who moved from the West-German area. He was not included in the 24 persons.

countries. Hoesch (1992) concluded that establishing the public institutions in the East-German area was unachievable without the personnel dispatches from the West-German area. On the other hand, it was also true that the large-scale personnel dispatch was accompanied by a number of problems. According to Hoesch (1992), Mehlich (1992), and Seibel (1993, pp. 172–3), the following problems occurred:

First, ample monetary compensations and promotion opportunities were offered to the West-German personnel to make them accept the dispatches to the East-German area. This further demotivated the East-German public workers whose wage level was kept below the West-German level. Moreover, some West-German personnel took the offers of the dispatches for monetary compensation and promotion, not from eagerness to establish the new state institutions in the East-German area.

Second, a non-negligible number of dispatched West-German personnel was not professionally and personally qualified as the helpers for establishing the new public institutions, with or without the eagerness for it. In this sense, human resources were short in the West-German area, too.¹⁰

Third, it was the first time for the West-German personnel as well to face the task to establish the new public institutions. For many of them, it was even the first time to be in the East-German area. Most of them had sufficient knowledge on managing the West-German public institutions, but not much knowledge on the East-German regime. It was not the case that the West-German personnel dispatched had ready-made solutions how to make the new public institutions work.

Four, various frictions arose between the dispatched West-German personnel and the East-German personnel because of the factors mentioned above and other numerous causes. Frictions tended to be more serious in the higher echelons of the personnel hierarchy.

Finally, it was questionable to what extent the personnel dispatch contributed to increasing professional capacity of the East-German personnel such as designing policies and making decisions from the mid- and long-term perspectives. There were cases where the persons dispatched from the West-German area did everything and the East-German personnel just followed them.

¹⁰ *Besserwessirei* (Better Westerners), which was a pun for *Besserwisserei* (Pretenders to know better), was a vogue word in the East-German area in the period (Mehlich, 1992; Tettinger, 1991).

Table 4. West German Personnel in the Brandenburg state government as of 15 June 1991.

<i>unit</i>	<i>Total</i> <i>person</i>	<i>W.G.</i> <i>person</i>	<i>Ratio</i> <i>%</i>
by personal class			
higher	517	267	51.6
upper	462	107	23.2
middle & lower	444	14	3.2
total	1428	391	27.4
by ministry*			
judiciary	84	56	66.7
internal affairs	100	64	64.0
finance	94	45	47.9
civil	82	37	45.1
m.p. office	86	38	44.2
science & economy	69	27	39.1
education	107	32	29.9
labor	106	31	29.2
agriculture	66	18	27.3
environment	91	14	15.4
	89	12	13.5

Note: *: officials in the higher and upper classes only; *W.G.:* personnel dispatched from the West-German area; *Ratio:* *W.G. / Total*; *m.p. office:* the office of minister-president.

Source: Linde (1991), p. 295.

4.2 Re-education and re-training

The dispatch of West-German personnel contributed greatly to establishing the new public institutions despite the problems accompanied with it. It was, however, impossible in terms of number to fill the shortage of the personnel in the new public institutions with the personnel dispatched from the West-German area, even in a short period. The East-German public workers who were 30 to 40 years old at the time of the Reunification had already worked in the public institutions of the GDR in 10 to 20 years and would work still 20 to 30 years as public workers. Sections 3 showed that those public workers constituted the main body of the public workers in the East-German area even after the selection. The re-education and re-training of the East-German public workers were, therefore, the key to increasing the human resources in a short time. Vollmuth (1992) wrote that it was expected well before the reunification that a large scale and systematic re-training would be necessary to build up the public workers of the GDR to the civil servants of the democratic market regime. Vollmuth (1992), however, concluded that the necessity and the difficulty of the re-training had been underestimated.

The first problem was that the discrepancies were larger than expected between the capacities that the East-German public workers had and that the public workers in the democratic market regime should have. Public workers need to make decisions on the actual problems being based on the basic ideas of the German constitution and laws,

because the laws, regulations, and directives never write up in detail all problems that will occur in the real life. However, it was difficult for the East-German public workers, who had no experience to live in a democratic market regime, to use the knowledge on the German constitution and laws to solve actual problems, even if they had a good knowledge on them (Puetnner, 1991; Stelkens, 1992). Moreover, the fact that the East-German public workers who had received legal education were relatively few made the problem more serious. In particular, public workers who had legal education were surprisingly few in the municipal governments of the GDR (Derlien, 1993, p. 195). Derlien (1993, pp. 191–3) and Koenig(1992b) concluded that the status and role of the public institutions expected in the socialist regime caused the situation. In the GDR, the public institutions were not expected to properly interpret the laws, to protect the legal rights of the citizens, and to take initiatives to solve the real-life problems, because the decisions of the communist party came before the laws in the socialist regime.

The second problem was the severe time constraints. The public workers in the East-German area needed to start up the new public institutions, to handle with tasks brought by the reunification, and to do routine operations, at the same time. It was difficult for them to spare the time for re-training. If a person was sent to the re-training, it meant to decrease the low capacity of the new public institution further.

The third problem was that the physical capacity for the re-training was limited. Hoesch (1992) indicated that 830 million DM were spent for the re-training programs in 1992 and more money would be spent on the re-training program in 1993. The administration colleges attached to the federal government, the state government, and the unions of the municipalities undertook re-training of the East-German public workers and help for establishing the administration colleges in the East-German area to increase the re-training capacity. However, even if a capacity to train 10 thousand persons at any moment was created, only 130 thousand persons could be trained in a four-weeks program in a year. Given the number of the public workers in the East-German area would be reduced to 1.2 million (see Section 3), it would take 9 to 10 years to train all East-German public workers.

According to Vollmuth (1992), several models of re-education and re-training were developed to deal with these problems. For example, the Brandenburg state government required the East-German candidates to the government posts to receive a 300 hours training course for the lower posts and a 600 to 650 hours training course for the higher posts, and to pass the final examination of the courses, as the precondition to sign the employment contract of a state government official.¹¹ The contents of the

¹¹ The concept of government officer (Beamte) was specific to Germany. The high class administrative posts were assigned to the government officers. A government officer is requested to be loyal to the

training courses were common across occupations: for the 650 hours course, 80 hours were given to 'the state and the constitution', 150 hours to 'administration', 60 hours to 'civil law', 60 hours to 'administrative law', 60 hours to 'administration of public works', 80 hours to 'public budget', 80 hours to 'social market economy', and 80 hours to 'communication and social relations'. At the start of this model, it was planned to give two work days in a week to the training. It was soon changed to one training day in a week, because the two training days scheme turned out to impede the operational works seriously. With one training day per week scheme, it took one to one and half year to finish the 600 to 650 hours course.

The training model developed by Brandenburg state was systematic and complete as a training course for an East-German public worker. However, both the other East-German states and the West-German states those usually dispatched the instructors of the training courses were reluctant to use the Brandenburg model because of the heavy burden for both trainers and trainees. The Federal Ministry for Interior Affairs (BMI) developed a 'training blocks model' from the Brandenburg model. The training blocks model separated the entire training course into a several blocks of base, middle-level, and expert-level blocks. This scheme aimed to give the base block training to more East-German public workers under the constraints of time, capacity, and money. The course was organized in the way combining weekly intensive course schooling and self-learning between the schooling. The total length of the schooling was set to 4 weeks consisting of 3 days for 'the national state and the constitution', 4(3) days for 'structures and procedures of administration', 7(8) days for 'legal foundation of administrative actions', 3 days for 'financial foundation of administrative actions', and 3 days for 'foundation of the social market economy'. The numbers of the days are for the personnel in the lower classes and those in the parentheses for that in the higher classes. Other ways to organize the BMI model such as the 'multiplier' method and the correspondence method had been also discussed to alleviate the limitation of time and capacity further. The 'multiplier' method

national state, while the employment is life-time and goes in a favorable pension scheme. A certain educational backgrounds and professional career are needed to be appointed to a government officer (Boldt et al., 1988, pp. 248–52; Murakami and Marutschke, 1991, pp. 72–4). The Reunification treaty (EV, 1990, Anlage I) allowed to appoint an East-German citizen to a government officer only on a probation basis until the end of 1996. Breidenstein (1993) wrote that 42% of the West-German public workers and 1.3% of the East-German public workers (including the judges) had the status of government officer as of 1 October 1991. At that time, most government officers in the East-German area were the personnel dispatched from the West-German area. All public workers including the government officers are placed into the four classes (Laufbahngruppen): higher class (hoehere Dienst), senior class (gehobene Dienst), middle class (mittlere Dienst), and ordinary class (einfache Dienst). Usually, the end of university-level education is needed for the higher and senior classes, the end of high-school level education for the middle class, and the end of compulsory education for the ordinary class (Breidenstein, 1992, pp. 743–4).

was to train selected East-German public workers as instructors of the courses first and, then, those East-German instructors would train the other East-German public workers. The multiplier method was not accepted, because it was unlikely that the East-German instructors who were just by a couple of months ahead of their fellows would be able to replace West-German instructors who accumulated experiences during long years of their services. Neither the correspondence method was accepted, firstly because fleshing the abstract knowledge obtained from the texts and the lectures through discussions between trainers and trainees was indispensable to the East-German public workers' understanding the basic ideas and values of the democratic market regime, secondary because it was difficult to prepare the materials on actual administration actions for the correspondence training in a short time, and finally because the open discussion between course participants itself would make the difference between the administration following the doctrine given from the above in the socialist regime and the democratic administration clear.

The fourth problem was that opportunities of on the job training (OJT) were limited. It was a kind of vicious cycle: East-German public institutions could not offer good opportunities of OJT because they were not properly working yet. At the state level, experiences to work with the West-German personnel dispatched compensated, more or less, the limited opportunities of OJT. At the municipal level, the situation was worse because there were few personnel dispatched from the West-German area.

The fifth problem was that how to motivate the East-German public workers. Vollmuth (1992) analyzed the retraining programs done in 1991 and concluded the motivation of the participants gradually waned as the initial shock of the reunification subsided. The burden of the retraining was heavy for the East-German public workers; it would be difficult to maintain their motivation without adequate compensations and rewards.

Finally, it was an unanswered question if it would be possible to make the East-German public workers who had worked under the socialist regime for long years the good civil servants in the democratic market regime (Derlien, 1993, p. 195).

4.3 Informal personal network

Hoesch (1992; 1993) stressed that the informal personal network among the West- and East-German public workers built at occasions of seminars, meetings, and business trips greatly contributed to making the new public institutions functioning. These personal connections were important, in particular, at the East-German municipal governments that few West-German personnel were dispatched to. Whenever a public worker in charge of a certain job in an East-German municipality faced a problem, he or she managed through the problem by making phone calls to his or her West-German counterpart to learn how to solve the problem.

Moll et. al. (1993) appreciated the contribution of the personal connections between the public workers at the same position in the city offices of Potsdam and its partner city, Bonn. Treichel (1993) also evaluated the personal connection as indispensable in making the chambers of commerce and industry in the East-German area. A chamber of commerce and industry was not an public administrative organization; however, they faced the problem similar to that of the public institutions. All chambers of commerce and industry of the GDR were dissolved, and the chambers of commerce and industry were re-established in the way that the West-German chambers of commerce and industry geographically extended to the East-German area. The new chambers of commerce and industry faced the shortage of the personnel. The personal connections between the staff members at the same positions in the chambers of commerce and industry in the West- and East-German areas helped the East-German staff members greatly. When an East-German staff member faced a task, which could not be dealt with routinely, he or she could ask the counterpart for help by phone immediately.

The informal personal network was created in a rather spontaneous manner. Through this network, huge volumes of knowledge, experiences, and know-hows were transferred from the West-German public workers to the East-German public workers. Hoesch (1992) and Hausschild and Beyer (1993) concluded that even the importance of the dispatches of West-German personnel was next to that of the informal personal network.

5. Case studies

This section outlines the progress of establishment of public institutions in the two cases: the Brandenburg state government, and the employment offices in the East-German area. The Brandenburg case uses extensively Linde (1991) and Meyer-Hesemann (1991), and the employment offices case Franke (1993).

5.1 Establishing the Brandenburg state government office

The West-German state, Nordrhein-Westfalen, (hereafter, NW state) played a special role as the partner state of the East-German Brandenburg state to help establishing the new public institutions in the Brandenburg state (hereafter, BB state). NW state began to give solidarity helps to the GDR immediately after the fall of the wall in November 1989. Meanwhile, in the GDR, preparation for introduction of the West-German state system were proceeding after the approval of the law on local self-government on 17 May 1990. The state system planned to be introduced on 1 January 1991 (see Appendix 1). Advisers from the West-German states were already taking part of the preparation; it was said that the constitution of a new state was strongly influenced by the constitution of the West-German state that dispatched the adviser to the new state (Bayer, 1991; Koenig, 1992a; Mueller, 1992; Seibel, 1991).

After the signing of the Reunification treaty in August 1990, NW state intensified helping East Germany. Around this time, NW state began to concentrate its help on BB state, the eastern part of Mecklenburg-Vorpommern state, and Leipzig prefecture and Leipzig city in Sachsen state. In September 1990, a joint organization of the federal and West-German states governments called 'Clearingsstelle (clearing site)' was established to coordinate aids for establishing the East-German states. The Clearingsstelle determined a West-German state as the partner state of an East-German state, and the West-German state was in charge of helps for the East-German state (Keller and Henneberger, 1993, p. 183; Hoesch, 1992).

NW state send 2 to 3 resident advisers to each East-German prefecture in the BB state area and dispatched experts to support the advisers on short-term business trips. After the sign on the Reunification treaty in September 1990, working groups consisting of 5 to 10 West-German officials dispatched and a couple of tens of the GDR prefecture officials were organized for each department of the state government to establish the new state government organization. Works on establishing the new state government office officially began after the general elections of the East-German state parliaments on 14 October 1990. One of the first official jobs for establishing the new state governments was to distribute the questionnaire for the selection to all GDR public workers (see Section 3 and Beismann, 1994, p. 598).

The East-German state governments should have started functioning from 1 January 1991 (Mueller, 1992). In reality, it was around the mid-1991 when the new state government offices became workable more or less. For example, as of January 1991, there were only 10 staff members in the Ministry of Economy of BB state the prescribed number of staff of which was 165. No public worker of the GDR prefectural governments was in the BB state government, because the screening was not finished yet in January 1991 (FAZ, 7 Jan. 1991). The situation of the juristic system of BB state was no better than other parts of the public institutions of BB state; all 401 judges and prosecutors of the GDR in the BB state area were in the screening process as of April 1991. Thus, only 26 judges and 16 prosecutors dispatched from the West-German area worked in BB state. 460 persons including 13 retired West-German judges applied to the job offers of judges and prosecutors; however, even interviews with them could be hardly done because of the severe shortage of the personnel (FAZ, 8 Apr. 1991). It was probable that all public institutions in the East-German area were in the similar situation. The labor union of tax workers expected that tax of 5 billion DM would not be collected in the East-German area in 1990 because of the shortage of human and computer network resources; 122 tax offices in the East-German area had only 7,000 personnel against the 30,000 stipulated number of personnel (TS, 13 Nov. 1990). The Ministry of Finance of Thüringen state had only the minister himself who came from the West-German area, 10 officials dispatched from the West-German area, and 25 officials of the prefectures of the GDR as of

November 1990. From this, the Ministry of Finance including the tax offices where 3,000 tax officers were working for was built by the end of 1993 and became as effective and efficient as a Ministry of Finance in a West-German state (FAZ, 15 Oct. 1993; FAZ, 7 Jan. 1994).¹²

Aids for East-German municipal governments developed following the similar path. Immediately after the fall of the wall, West-German municipalities spontaneously started helping East-German municipalities, mostly following the existing sister cities relations. Saalouis city and Eisenhuettenstadt city agreed the first sister cities relation between the FRG and the GDR; 58 sister cities relations existed as of November 1989 between the cities of the FRG and the GDR (DDR-Almanac, 1990, pp. 75–6). After the start of the Economic, Monetary, and Social Union in July 1990, aids to the East-German municipalities were institutionalized and systematized. Accordingly, the municipalities in NW state opened their advisory offices in most counties in the BB state area and the Cottbus prefecture area of the GDR. A joint fund of NW state and the municipalities in NW state covered the personnel costs up to five staff members of each advisory office. In 1990, the fund covered the personnel costs of 300 persons dispatched from the West-German area. This schema was expanded in July 1991 to send 1 to 5 staff members on loan for a long term to the counties and cities those had not have adviser offices so far. After this expansion, the number of dispatched advisers and staff members increased by 250-300 persons.

On 27 November 1990, NW state and BB state signed a comprehensive cooperation agreement being based on the existing relationships. The agreement gave the official institutional framework for cooperation between the state governments, between the municipalities, between the organizations, and between citizens of the two states. Following the agreement, a coordination committee consisting of representatives from both NW and BB states and a liaison office of NW state in the BB state government office that planned and coordinated providing information, consulting, and dispatching personnel.

Moreover, branch-wise agreements were concluded, covering almost all fields of the administration works such as agriculture, food sanitation, and livestock management; environment protection; city planning and transportation; architecture and housing; social security, health services, and labor; legal affairs; economy, small and medium business, technology, and energy; finance, accounting, and payroll services; general affairs; police administration; culture; education and sports; building inspection; and science and research. Following the departmental agreements, aids were provided for establishing and operating the public institutions of each department. For example, the

¹² See also FAZ (12 Nov. 1990) for the case of establishment of Sachse-Anhalt state government and Beismann (1994, pp. 588–9) for the case of establishment of the board of audit of Sachsen state.

NW state general tax office send 30 to 40 NW state personnel to the BB state general tax office, and 7 personnel in average to each of 21 tax offices in BB state. The Ministry of Finance of NW state send 170 personnel to the BB state and 31 personnel to the other East-German states. In addition, NW state took over parts of operational office works of BB state such as provision of housing allowances to BB state citizens, business operating permission and registration, environmental regulation, work safety supervision, and payroll processing of the BB state government personnel, increasing the workforce of NW state government.

Concerning the re-training, NW state first sent 4 training instructors to conduct a re-training program of 700 hours course for 30 public workers of BB states in the field of general administration. From April 1991, NW state began a one-year re-training program for 157 BB state government personnel. NW state also supported establishing and operating the BB state administration college; 12 instructors of the NW state administration college were sent to the BB state administration college on long-term loan from September 1991. The NW state college itself accepted the BB state government personnel for the re-training. In the field of legal affairs, NW states accepted 38 judicial practitioners from BB state and gave a re-training course to 210 judicial public workers of the low to middle classes in 1991. NW state conducted 26 retraining courses for 800 judicial public workers in BB state by the end of 1991. In the field of tax administration, NW state supported establishing the BB state tax college and send 30 tax instructors of the NW state tax college to the BB state tax college at the peak in 1991. The Ministry of Finance of NW state re-trained 600 BB state tax officers in the first quarter of 1991 and 1300 BB state tax officers in the second quarter of 1991. In the police department, NW state sent 55 instructors of the NW state police college to BB state to train and re-train the BB police workers, and accepted 150 BB police workers to the NW state training program for police officers as of June 1990. NW state planned to re-train 1,000 middle-class police workers in 1991.

5.2 Establishing the employment offices

The employment offices are the sub-organization of the Federal Employment Agency (Bundesagentur fuer Arbeit) and do job placements, provision of unemployment benefits, vocational training and so on.¹³ It was expected that the East-German economic situation would deteriorate after the German reunification and, consequently, unemployed would increase rapidly. It was an urgent task to establish the labor administration able to handle the employment problem in the East-German area.

¹³Exactly, the Federal Employment Agency was not a part of the federal government, but a subject of the public laws (Boldt et al., 1988, p. 416; Murakami and Marutschke, 1991, pp. 97–8).

The Federal Employment Agency officially started establishing the labor administration in East Germany after the signing on cooperation agreement between the Agency and the GDR government on 22 to 23 February 1990. At the time of the signing, both parties agreed that the goal of the agreement was to introduce the West-German model of labor administration to the East-German area. However, the East-German side expected at the time of the signing that it would be accomplished in a mid- to long-term.

The West-German employment offices, nevertheless, started helping the East-German employment offices (Amt fuer Arbeit) at the local level even before the conclusion of the cooperation agreement. Immediately after the fall of the wall, individual employment offices of the FRG and the GDR started making contacts between them. The Federal Employment Agency established a working group in its central office already on 13 February 1990 to coordinate all individual and local initiatives on re-establishing labor administration in the East-German area. An official ceremony was held on 1 March 1990 to send the first cohort of 90 personnel of the West-German employment offices to East Germany as the advisers. All West-German advisers were ready to be sent to East Germany by the end of March 1990; their actual departure delayed into April 1990, because East Germany did not issue official invitation until then. Immediately after the dispatch of the advisers, the federal government and the Federal Agency of Employment gave a financial aid of the total 165 million DM to East Germany; 85 million DM of them was expended to install the computer networks and 80 million DM to purchase ordinary bureau equipment. To connect the East-German employment offices with the computer network of the Federal Employment Agency was the most urgent task.

After the general election of the People's Chamber of East Germany (Die Volkskammer der DDR) on 18 March 1990, aids of the Federal Employment Agency entered into the new stage. The 15 prefectural employment offices and the 227 local employment offices of the GDR were restructured into the 38 employment offices and the 161 branch offices, and their internal organization was also restructured according to that of the West-German employment office. The total number of the staff of the employment offices was increased from 3,500 to 5,000 (FAZ, 23 Feb. 1990), although the planned total number was 13,600 (Breidenstein, 1993, p. 566). In May 1990, the Federal Employment Agency pared the prefectural employment offices of the GDR and the West-German states to proceed establishing the new employment offices in the East-German area. As of the mid-1990, more than 500 West-German personnel worked as advisers and ordinary officials in the East-German employment offices. As the employment situation in the East-German area deteriorated and the workload of the employment offices increased, more West-German personnel were dispatched to the East-German area in the latter half of 1990. At the peak time in the latter half of 1990, more than 2,000 West-German personnel worked for the East-German employment offices. On the other hand, the screening of all public workers of the East-German employment

offices started immediately after the German reunification on 3 October 1990: A few chiefs of East-German employment offices were dismissed quickly because East-German citizens accused them of their relations with the secret police (DW, 30 Nov. 1990). The total staff number of the employment offices in the East-German area, nevertheless, increased from 20,200 as of 30 June 1991 to 24,100 as of 30 June 1992 (Breidenstein, 1993, p. 566).

In parallel to the dispatch of West-German personnel, the training and re-training of the East-German personnel of the employment offices were executed. In 1990, the total 10,000 East-German personnel took part of the training programs, although the program was one-week basic course on labor administration in most cases. It was expected that the Federal Employment Agency could give only basic training programs to their East-German personnel because of the severe constraint on the financial, physical, man-power capacities until the end of 1991.

6. Closing remarks

6.1 General evaluation on the establishment of the new public institutions

Hoesch (1992) and Mueller (1992) evaluated that the East-German public institutions started working from the mid-1991. Until then, the establishment of the new East-German states was not completed. Even the codification of the state laws was not finished yet. Mehlich (1992) wrote that, in a symposium held in November 1991, a presenter reported that the new state governments did not have the laws and the regulations in many fields yet and most public workers knew little about how to apply the laws to actual situations. Accordingly, the municipal public institutions in the new states also did not work smoothly. At the municipality level, it was a general evaluation that the municipal governments those faced less drastic changes than the governments at the prefectural and state level were still problematic in their administrative capabilities and efficiencies. It was often pointed out that the areas of the East-German municipalities were too small in comparison with those in West-German area; It was, therefore, difficult to restructure the East-German municipal governments after the model of the West-German municipal governments. However, almost nothing about that was done at the German reunification. The problem would need a long time to be solved (Hoesch, 1992).

It was undoubtedly true that the new public institutions in the East-German area had smaller capability to do administrative acts, and worked far less efficiently than those in the West-German area. Some journalists described the administration in the East-German area as being in chaos (Pitschas, 1991). However, it was an achievement to be praised that the new public institutions became functioning in one to two years. Moreover, the established public institutions were working in a democratic way. Mehlich (1992) positively evaluated the establishment of the new public institutions from a qualitative perspective: The East-German citizens had distrusted the administration in general and

the elites in the administration from their experiences under the East-German regime. However, their trust in the administration gradually increased as the new public institutions were formed in the East-German areas. In particular, improvements in social services for aged and handicapped persons, in public infrastructure, in disclosure of information, and in interfaces of the public institutions with the citizens contributed to increasing in East-German citizens' trust in the administration.

In relation to the systemic transformation in general, the following two points are noted from the German experiences of establishing the new public institutions. First, West Germany's helps for establishing the new public institutions were far from well-coordinated in many senses. West Germany and the personnel dispatched from West Germany exclusively aimed to copy the West-German public institutions into the East-German area. Efforts to improve the structure and functioning of the West-German public institutions and to create public institutions suited to the East-German situation were almost totally lacked (Hill, 1993; Grunow and Wohlfahrt, 1993, p. 172; Mehlich, 1992). From the beginning, any long-term perspective and projection on what kind of public institutions should be established were nearly non-existent. West Germany and her helpers almost completely believed the West-German models of the public institutions and the methods to help the East-German public institutions, while East Germany almost completely left them in charge of establishing the new public institutions (Mueller, 1992). It was true that it was infeasible under the time constraint of the German reunification to design an optimal structure of public institutions and, then, to coordinate supportive measures optimally to establish them. Nevertheless, it clearly showed that it was difficult to maintain the balance between rapid establishment of the new public institutions and creating better public institutions. This was because the human resources to establish and operate the new public institutions were short, and it took a long time to build up the human capital fit to the requirements of the public institution of the democratic market regime.

Second, most East-German public workers' capacity to project new policies and to make decisions to execute them remained low (Mehlich, 1992; Huber, 1993). The success in copying the West-German public institutions into the East-German area by putting enormous amounts of human, material, and financial resources from West Germany maybe partially caused the problem. Huber (1993) concluded that the establishment of the new public institutions in the East-German area was successful in economic and technical terms, but unsuccessful in psychological term. This problem would not be solved until individual East-German public workers would change their fundamental model of thinking and acting (Huber, 1993; Mueller, 1992; Puettnner, 1991; Stelkens, 1992). The East-German public workers were put in a difficult psychological situation: Their experiences in administrative works for long years were denied. They were required to do the jobs that they had neither experiences nor theoretical knowledge

to do them under the supervision of West-German personnel who seemed to know better about them. Even if the East-German public workers are motivated well, it would take a long time to change their thinking and action models to the West-German ones. If they give up their subjective efforts, the problem would not be solved until the completion of generational change of the East-German public workers.

6.2 Implications for the systemic transformation of the other countries

In comparison with the other ex-socialist countries, it was a great achievement that the functioning public institutions suited to the democratic market regime and trusted by the citizens were built in a couple of years. The new public institutions in the East-German area were able to deal with the deteriorated economic situation after the German reunification. FAZ (6 May 1993) evaluated the activities of the Ministries of Economy in the new East-German states generally high. Heine (1993), Treichel (1993), and Reis (1993) remarked that the East-German municipalities were able to process business opening applications more quickly than the West-German municipalities. This might reflect the fact that the East-German municipalities were thirstier for new businesses than the West-German municipalities; it, nevertheless, did not change the fact that the East-German municipalities were able to process the applications quickly.¹⁴ It was true that the governments were unsuccessful to reduce the high unemployment rate; however, they were able to manage providing unemployment benefits, job placements, vocational training, organizing unemployment relief works and so on. In contrast, the ILO reported that only 7 % of the unemployment relief fund reached to the unemployed and most of the rest of the fund were spent illegally (Jiji, 2 Feb. 1994).¹⁵

This was achieved not only by large amounts of financial and material aids but also by large-scale transfer of knowledge and know-hows through the dispatches of personnel, the extensive re-training, and the informal personal network. The business sector is not included in this study; however, it is worth to confirm that human resources embodied the knowledge and know-hows are important in the business sector as well in the systemic transformation. Reis (1993) said in April 1993 that the West-German managers could not help but completely taking over management of the East-German

¹⁴ Nevertheless, LSI (1993) requested for more quicker decisions and processing of the business opening applications. Tettinger (1993) also concluded that the licensing and registration procedures could be shorten.

¹⁵ Jiji (24 Aug. 1994) reported that around 40 billion DM of investment subsidies for the East-German area, which is equivalent to one third of the total planned public investments in the East-German area after the German Reunification were not paid because of defects of the application documents. The Federal Ministry of Economy explained the delay was caused by mistakes of the applicants, not by the slow processing by the administration in the most cases.

enterprises bought partially by the West-German enterprises, because most East-German managers turned out to be incapable of managing the enterprises in the market economy. Immediately after the German reunification, there was some expectations that East-German managers were able to manage the enterprises or learn how to manage them quickly. It turned out that neither they were capable of managing their companies in the market economy, nor the market did not wait for them to learn how to manage the enterprises.¹⁶ Consequently, many management personnel of the middle and large enterprises in the East-German area were supplied from the West-German area with the knowledge and know-hows they embodied. Commenting on the remark that the most serious bottleneck of the establishing banking sectors in the other ex-socialist countries, Wagner (1993) concluded that the shortage of personnel was solved relatively easily by the dispatches of the West-German personnel and the extensive re-training of the workers of the banks of the GDR.

In comparison with East Germany, the other ex-socialist countries had the following disadvantages to establish their new public institutions: First, the material and financial aids were limited. Second, it was difficult to transfer knowledge and know-hows of the laws and the administration because of the language problem. East Germany had the German-speaking countries under the democratic market regime. The other ex-socialist countries were not the case. Even in the case of West and East Germany where the same language was used, Stelkens (1992) noted that it was not easy to transfer knowledge and know-hows on the operation of administration and the execution of the laws because the East-German people had no experience to live in a democratic market regime. Mehlich (1992) also pointed that it was difficult to communicate between West- and East-German public workers using legal and administrative terms. It was difficult for the East-German public workers to understand the real-life contents of the terms, even though they easily understood the linguistic meanings of the terms. However, the difficulty seemed negligible if we considered the situation of the other ex-socialist countries where they had no other choice to use foreign languages to transfer knowledge and know-hows. Third, the other ex-socialist countries had few measures and opportunities to transfer the knowledge and know-hows on execution of the laws and operation of administration. This problem overlapped with the second problem. It was virtually impossible for the other ex-socialist countries to organize the dispatches of personnel, to execute extensive re-trainings in a short period, and to build the informal personal network.

The other ex-socialist countries, however, had an advantage: the systemic transformation in those countries might not be discontinuous jumps like the German

¹⁶ Reis (1993) also said that only a few of East-German managers of the small enterprises improved their skills as manager and got confident to manage their enterprises.

reunification, but rather continuous changes. For East Germany, the discontinuous change resulted in the sudden revaluation of the existing human capital stock. This was accompanied by the psychological situation that might influence the subjective efforts of the East-German personnel to increase their capabilities in a long term. In contrast, there was no way to replace the existing human capital stock that certainly differed from the desirable human capital stock in the other ex-socialist countries with some other human capital stock. Good or bad, the other ex-socialist countries continued to use the existing human capital stock. Thus, it maintained its value, more or less. It was unclear how it would influence on proceedings of human capital restructuring necessary for the democratic market regime in the other ex-socialist countries. One thing was clear: it would take a long time to establish the public institutions equipped with the corresponding human capital in the other ex-socialist countries. The advantage those countries had was based on the fact that the restructuring would take a long time.

Some economists argued for the quick transition to the market economy in the ex-socialist countries. This argument seemed fully valid from the perspective of economics. However, the systemic transformation would need a long period, probably one generation and more, to be completed, because of the shortage of human resources to establish and operate the new public institutions suited to the democratic market regime.

Appendix. Important events of the German reunification

1989	
November 9	The fall of the Berlin wall.
1990	
March 18	General election for the People's Chamber (Volkskammer).
May 6	General election for the local assemblies.
May 17	Law on self-government of the municipalities.
May 18	Signing of the Monetary, Economic, and Social Union.
July 1	Starting of the Monetary, Economic, and Social Union.
July 22	Law on introduction of the state (Laender) system.
August 23	The Peoples' Chamber voted for joining the FRG on 3 Oct. 1990.
August 31	Signing of the Reunification treaty.
October 3	The German reunification (The eastern states joined the FRG).
October 14	Elections for the assemblies of the new Laender.
December 3	General election of the parliament of the FRG.
December 31	Abolition of the East-German prefectures (Bezirk).
1991	
February 28	Joint resolution of the Federal chancellor and the minister presidents of the West-German states on the administration helps for the East-German states.
April 24	The constitutional court approved the selection of the East-German public workers.

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News papers

BZ: Berliner Zeitung.

DW: Die Welt.

FAZ: Frankfurter Allgemeine Zeitung.

Jiji: Jiji press news on line, Japanese edition.

Nikkei: The Nikkei, Japanese edition

NZ: Neue Zeit.

TS: Der Tagesspiegel.