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German Reunification Brought a Wave of Neoliberal Triumphalism — And a Social Disaster

Thursday 29 October 2020, by [SOLTY Ingar](#), [VUJICA Darko](#) (Date first published: 3 October 2020).

In the last years before the Berlin Wall's fall, most opposition movements in East Germany sought a reformed, more democratic socialism. But the effect of reunification on October 3, 1990 was a wave of neoliberal triumphalism in both East and West — undermining the principles of social solidarity and pushing the Left into the wilderness.

Today marks thirty years since German reunification. After the demise of the old East Germany (German Democratic Republic, GDR), its territory was effectively annexed to West Germany on October 3, 1990, with its entire economy and social system torn up and subordinated to Western capitalist norms. In previous years, even most opposition movements in East Germany had hoped for a reformed and democratized socialism. Yet the ultimate result of the upheavals of 1989–1990 was not just to sweep away the most incorrigible Stalinists, but to cast discredit over the whole idea of a noncapitalist society.

Thirty years on, the situation of the German left is weaker than any point since 1945, with the left-wing Die Linke never able to surpass 10 percent of the vote and the neoliberalized Social Democrats (SPD) reduced to junior partner in a grand coalition with Angela Merkel's Christian Democrats (CDU). Darko Vujica interviewed German researcher Ingar Solty on the reunification process, its enduring social effects in the former GDR, and how the legacy of 1989–1990 has undermined the German left's ability to imagine a different society.

DV | In your interview published in the June 2020 issue of *Monthly Review*, you gave a detailed account of German social democracy's neoliberalization and opportunism in the 1990s, its betrayal of its working-class constituency, and how that betrayal and Angela Merkel's administration of an increasingly insecure society has nurtured the rise of the far-right Alternative für Deutschland (AfD). You argued that the root cause of German neofascism was neoliberalism. But why did this betrayal happen? Was it inevitable? And how come the SPD was often part of a grand coalition with the CDU, serving them faithfully when needed? After all, this appears to be the reason for their electoral decline — and seems suicidal.

IS | It is true that the grand coalition has harmed the SPD, indeed much more than it has the CDU/CSU. If you talk to generally well-meaning social-democratic leaders, they will tell you how much the coalition agreements were shaped by the SPD's own electoral platform. By the time of the 2017 federal election, after a never-ending series of electoral defeats, the SPD had enough and vouched to renew itself in opposition. But eventually its leader Martin Schulz caved in again, thus forming the most recent grand coalition under Merkel.

This “opportunism” and technocratic outlook on the SPD’s part has a longer pedigree — a crisis of German and Western social democracy that needs to be traced back to 1989. If some Western leftists had favorable views of the attempts at building socialism in Eastern Europe, others were hostile to it, including social democrats. In West Germany, the SPD had formally renounced Marxist, class-based politics with their Godesberg Program in 1959 and had then purged many Marxists as well as the entire youth organization SDS amid the radicalism of the 1960s. Parallel to this were radical-left critics of the USSR, such as the Green/Alternatives, who concealed their lack of theoretical and analytical understanding and opportunistic pragmatism as being “undogmatic,” as well as Trotskyists, who mostly considered the Soviet Union a “degenerated workers’ state,” and Maoists, some of which joined the ranks of the Greens.

However, what most people only realized later on (if they did at all) was how the collapse of state socialism prompted a crisis of the entire Left, regardless of whether they had nurtured any sympathies for “actually existing socialism” in the East and regardless of whether they considered themselves revolutionaries or reformists. Hence, the neoliberalization of social-democratic parties in the West was one crucial outcome of the collapse of state socialism. 1989 destroyed not only actually existing socialism, but for a while destroyed the Left in general, and both wings of the labor movement, as they had emerged at the beginning of what Eric Hobsbawm called the short twentieth century. So, both its revolutionary, communist wing and its evolutionary, reformist social-democratic wing. The communist parties mostly collapsed or lost the bulk of their support, and while social-democratic party institutions continued to exist and even came to dominate eleven out of fifteen EU member states in the late 1990s, their party programs and especially their realpolitik were emptied out of social-democratic content in general and Keynesian demand-side economics in particular.

The old terminology of the Left — progress, reform, and being modern — now meant unleashing the brutal and brutalizing forces of capitalist markets and stripping workers of their job security in the name of “freedom,” “flexibility,” “reform,” and “internationalism”; enforcing trade through debt imperialism in the Global South in the name of “development” and “progress”; and selling off, at fire-sale prices, the people’s collective properties to profit-hungry corporations in the name of “efficiency” and “civil society.”

The Left lost the language of progress and reform while its neoliberalized parts debased them, to a degree that is still true today, because we still have yet to recover from the neoliberal counterrevolution which dismantled many of the labor movement’s historic class struggle achievements. That is a shock felt not only by communist radicals, but one that you can also see in the current literature by the very same social democrats that once more or less directly advised New Labour, like Colin Crouch, and the SPD’s own Neue Mitte (New Center), such as former Max-Planck-Society director Wolfgang Streeck. When today you read Crouch on *Post-Democracy*, published in 2004, or Streeck on “post-democratic capitalism,” published in the early 2010s, consider for a moment that some of their fury is connected to the fact that they might simply be angry at how social democracy failed them as well as how they themselves failed social democracy or, more precisely, social democracy’s working-class base and social democracy’s normative core: the welfare state. They are strongly attached to that, because they know that the welfare state is key to mass support for liberal democracy and keeping fascism at bay.

DV | So, you’re saying that the crisis of social democracy cannot be separated from the collapse of state socialism. However, was there another way? In *Jacobin*, I read an article titled [“Another East Germany Was Possible,”](#) in which the author (Andreas Peglau) states numerous protest marches and mobilizations that called for democratic socialism, not capitalist restoration, in East Germany. What do you think of that?

IS | Those movements were there — and most certainly, hardly anyone inside them expected

anything beyond a democratization of the GDR, a GDR democratic socialism. For the first time since 1949, the GDR leadership felt alienated by the Soviet Union because of Mikhail Gorbachev (and his signaling that it no longer defended the GDR). But both among the GDR's youth as well as in the GDR-financed West German Communist Party (DKP), which had its own reformers' wing during Perestroika and Glasnost — Gorbachevism held out a promise of democratic socialism. This is what the movements wanted and expected: the continued East German provision of all the necessities of life — super-affordable housing, health care, food, public transit mobility, total job security, social equality provided by public/state ownership of the means of production, gender equality, and gay rights — plus the relieving of travel restrictions, more civic rights, and Western consumer goods, as state socialism had entered a period of stagnation in the 1980s and had fallen behind economically. In short, 1989 was supposed to be another 1968, another Prague Spring. And the energy, the spirit, the associated intellectual work was vivid and real — and they promised, or were oriented toward, a better socialism. The number of left-wing journals, for instance, that popped up is quite something, as the German journalist Sebastian Friedrich has recently chronicled. So yes, another East Germany was wanted, but was it historically possible? Personally, and this is a hard thing to acknowledge, I don't think so.

DV | Why?

IS | I think we have to come to terms with the fact that history is not a question of what people desire, hope for, and dream of. It may be driven by social movements, especially class movements, but as we can learn from the Western Marxist theorist Antonio Gramsci and his concept of "trasformismo": the outcome is quite often not what social movements intended. There exists a law of unintended consequences, and it applies, in my view, to the history of democratization movements in East Germany and probably also most of Eastern Europe. In fact, it also applies to the ruling classes, for instance: Did the German ruling class want coronabonds and a step toward the "European debt union," as a consequence of the European management of the COVID-19 bio-economic pandemic? No, but they were forced into accepting it, because Italy is not Greece, and if Italy had run into problems in the international bond markets, the Eurozone would inevitably have collapsed. But that is absolutely unacceptable for the German ruling class, because its transnational corporations depend on the depreciation the euro provides, which enables German capital to export the way it does.

Generally speaking, history takes place in the context of real, concrete relationships of class forces. Those class forces also objectively existed as the rivalry between Western capitalism and Eastern state socialism, even if they appeared as rivalries between states and military alliances. Those people in East Germany who welcomed the absorption of the GDR by West Germany in their vote at the 1990 Volkskammer election did so believing that they would get to keep the achievements of the East, including those in gender equality, sexual diversity, and feminist rights (which happened to be far superior to the conservative West), and that they would add, on top of that, the consumption levels and freedom to travel and seeming freedoms of expression West Germans enjoyed.

Of course, that is what a real "reunification" ideally should have turned out as. Haven't liberal intellectuals gone on and on about "best practice" and "benchmarking"? But the expectations of East Germans were wrong. The idea many of them had of West Germany was that of the West Germany of the 1970s, of the Keynesian welfare state and robust codetermination in industry. What most people did not realize was that the existence of the GDR had been the precondition of the humanization of capitalism in the West, serving as a kind of external control and pressure on it.

The welfare state — understood as a historic compromise between capital and labor logically necessitated by the postwar ascent of actually existing socialism in the East — would be up for sale as soon as the state socialist GDR was dismantled. Of course, many people did gain certain

individual and certain civic freedoms, and some individual East Germans even did quite well economically, despite the GDR's unique situation as the only Warsaw Pact state which was absorbed by another state and its ruling class. And put an emphasis on that: "some," because essentially East Germans are totally underrepresented in the higher echelons of society — company boards, the army's officer ranks, the judicial sphere, university professorial positions, etc. And if you look at the map of who owns assets and company stocks, the former GDR territory outside of Berlin and Leipzig is a total wasteland. The only place where East Germans are extremely overrepresented is the lower ranks in the army. For instance, almost half of all new recruits in the army are East Germans, and roughly two out of three soldiers in Afghanistan came from the East. So, Germany also has an "economic draft" like the United States; even *Die Zeit* once headlined: "Unemployed or Afghanistan."

But the point is that after 1989, capitalism became, as Colin Crouch would put it, "post-democratic" precisely because of the new configuration. Yes, the neoliberal turn occurred way before 1989, during the crisis of Fordism in the 1970s and with Margaret Thatcher and Ronald Reagan coming to power in 1979-1981, but it was only after 1989 that neoliberalism could really accelerate. There were a number of reasons for that, including the fact that the primitive accumulation in the former states of actually existing socialism meant that Western capital simply had to exploit the new opportunities of cheap nonunion labor.

So, now East Germans could vote for many different parties, and they could even form new ones within specific constitutional boundaries, but these parties hardly differed at all, because they had less and less to decide with regards to the economy. Crouch and Streeck describe this, and neo-Gramscian scholars like Robert Cox and Stephen Gill had been saying that for two decades before them. The material base of democracy, the welfare state, was eroded, and eventually, the crisis of representation led to the rise of the far right. The new Nazis in East Germany are not of the GDR's making — as is preposterously suggested by neoliberals and proponents of the "totalitarianism" doctrine. This is senseless: the fall of the Berlin Wall happened more than thirty years ago. Rather, this development is of neoliberalism's own making: of the CDU's making, of the SPD's making, of the Greens' making, of the liberal FDP's making, and even of the post-communist PDS's making, where it colluded in neoliberal policies in coalition governments in former Eastern states.

DV | So, where does that leave us today? If all shades of the Left — social-democratic, left-socialist, Maoist, pro-Soviet communist, etc. — suffered a defeat in 1989, have we moved beyond it yet?

IS | Three decades later, I think we are only beginning to grasp the full extent of what happened during the 1980s and how deep the crisis of the socialist left became as a result. Objectively, the power of the global working classes in the twentieth-century left had been based on three pillars: (1) strong trade unions in the West and the historic compromise which was the Keynesian welfare state, (2) the anti-imperialist and socialist national liberation movements in the Global South, seeking paths to relieving themselves from dependency and imperialist exploitation by the capitalist centers, and (3) state socialism with its elimination of capitalist social relations and the nationalization of the means of production in the form of state ownership — with some exceptions like Yugoslavian cooperative socialism.

The neoliberal turn of the 1970s essentially wiped out the first two pillars. The epitome of that capitalist victory lap was the Volcker shock of 1979, i.e., the sudden increase of the national interest rate by the Federal Reserve which inevitably led to higher commercial bank interest rates followed by capitalist bankruptcies followed by mass unemployment. If it wasn't necessarily a completely thought-through plan, the Volcker shock and the ensuing mass unemployment *internally* broke the backbone of the US and Western labor movements, because workers lost much of their trade union

powers, especially those two forms of power which the US sociologist Beverly J. Silver calls marketplace bargaining power and workplace bargaining power. As a consequence, strike levels, which had been at record highs during the 1970s, collapsed and essentially never recovered. Despite the promising resurgence of US labor militancy in the past two years or a resurgence of labor disputes across Western Europe, including Germany's care economy, the labor movement in the West has not yet recovered from that blow and needs to be rebuilt and renewed through strikes.

Externally, the Volcker shock forced open the Global South to the kind of debt imperialist policies of Western financial institutions like the IMF and the World Bank. The debt crisis in Latin America and Africa essentially forced these countries open to Western capital, because the West's emergency loans were all connected to the holy triad of neoliberalism: (1) liberalization of trade (to the benefit of Western surplus production, especially in agriculture), (2) privatization of public assets (to the benefit of Western surplus capital and transnationalization), and (3) deregulation of labor and environmental regulations, also to the benefit of global capital relocations.

Obviously, the collapse of the Berlin Wall and the possibility and credibility of the threat of those capital relocations forced the Western working classes into a never-ending cascade of bargaining concessions while forcing Western states into a never-ending cascade of state subsidies to foreign direct investment, in the desperate attempt to attract foreign direct investment (FDI) with a "healthy investment climate," subsidies like the one the poor state of Brandenburg is currently granting Elon Musk's Tesla corporation, so that he can build more cars in an overproducing global industry with the help of cheap Polish laborers. Obviously, all states were doing this, and so the race to the bottom was born, including all its consequences: shrinking wage shares, overaccumulation, and underconsumption; amassing of surplus capital with no profitable outlet in production which caused it to shift speculatively into financial markets where it then formed dangerous speculative bubbles; the bursting of those bubbles and the ensuing financial crises; the "necessity" to rescue those "too big to fail" banks at the working classes' expense; the refinancing of those bank bailouts by austerity measures, etc.

So, what happened in Eastern Europe in the early 1990s — the implementation of what Naomi Klein called the shock doctrine — was merely what Latin America and Africa had gone through in the late 1970s and 1980s. The shock strategies were not new when they were applied to Eastern Europe. So people like Jeffrey Sachs, who orchestrated them in these countries, cannot claim a lack of foresight when confronted with the fact that the shock privatizations in the former Soviet Union led to the Russian mortality crisis with up to seven million premature deaths, according to a [study](#) by health scientists published in the prestigious journal the *Lancet*.

The third pillar, Eastern state socialism, continued to exist throughout the 1980s. But the neoliberal turn and the defeat of socialism in the West and the South reinforced, as you know, tendencies of stagnation and dependency on top of internal contradictions, especially with regards to centralized planning and the shift towards a computerized economy. In 1990, finally, also this third pillar was destroyed. And history did not care what Western leftists had thought about the East and how deformed they — rightfully or not — considered state socialism to be. The destruction of the third pillar of global working-class power hit them all: social-liberal Greens and social democrats, anti-Soviet and pro-Soviet communists alike.

This was particularly the case, since the fall of the Berlin Wall and the ensuing shock strategies in the former Eastern Bloc states created new structural compulsions for capital. The ad-hoc privatizations of state-owned factories and assets, the destruction of state-owned industries, and the sudden creation of a gigantic new class of relatively powerless, poor, and overwhelmed wage-dependent workers all across the former Eastern Bloc states enabled Western capital to exploit these conditions by the relocation of capital accumulation to the East as well as by asset-stripping.

Of course, transnationalized value chains always entail the profits reaped from workers' surplus labor being repatriated to the capitalist centers where the management, design and marketing corporate headquarters remain. Yet, under the general law of capitalist competition, for capital this created a compulsion to exploit these lower-cost opportunities. And that's what capital did. The fall of the Berlin Wall was a major historic event deepening capitalist transnationalization. In other words, the fall of the Berlin Wall was undoubtedly an *ideological* triumph for capitalism and an *ideological* crisis for socialism, but it was also a tremendous shift in the global relationships of forces between capital and labor of which ideology was a superstructure phenomenon.

The collapse of the three pillars of working-class power between 1979 and 1989 created its own major contradictions. One is the fact that the weakness of trade unions means that productivity gains almost exclusively end up in the hands of capital and its shareholders, in the hands of the notorious 627,000 Germans, who according to the German Statistische Bundesamt do not work but live entirely off of stock portfolios and rents, and their class equivalents around the world. The wage share has dropped almost in every country. But where does that capital go? It cannot all be consumed in the form of super-yachts, private jets, and space tourism. So, there is under-consumption. Global wealth inequality creates speculative bubbles. The filthy rich don't know what to do with their surplus capital anymore — and in their desperate search for profitable investment opportunities they buy up housing, from Berlin to Belgrade. At the same time, capital is over-accumulating. And, as I said, these were the roots of the global financial crisis of 2007 and they will only get worse coming out of the bio-economic pandemic.

DV | So how would you define what happened in 1989? Was it a revolution, a counterrevolution?

IS | 1989 clearly was a revolution, a political revolution. The one-party systems, or dictatorships if you will, were replaced with multi-party systems. We can have a democratic theory debate, we can assess how the shift from Eastern Europe's de facto one-party systems to the Western multi-party system model has impacted key components of democracy — input, procedural, and output legitimacy, the democratic responsiveness of state apparatuses, participation and efficiency, the material foundations of democracy, etc. But in the end, what happened after 1989 in Eastern Europe clearly was a political revolution.

At the same time, I think it is also clear that economically and socially 1989 was a bourgeois revolution insofar as it reinstated capitalist private property in the means of production and recreated capitalist class relations. If you think that this was bad, then you can also call it a bourgeois counter-revolution. It undid historic nationalizations and socializations, which had failed to really become "people's property" instead of just state property, and it returned Eastern Europe to bourgeois-capitalist property relations and the supreme reign of private interests in the places where people work and spend most of their days. And even social democrats can acknowledge this, if they are aware of their own political history.

As Daniela Dahn writes in "Wehe dem Sieger!": the extremely popular demands of post-war social democracy in the West — socialization of capitalist industries, land reform (dividing up the big landowning estates among landless peasants), eliminating former Nazis from the leadership positions in the economy and the state — had only been realized in the East. And insofar as 1989 overturned those key postwar decisions in the East, it was clearly a counter-revolution. Some might say that private property in the means of production, wealth inequality, frequent capitalist crises, and bailouts etc. are a better way of organizing the economy and society, but they were clearly brought into existence by a revolution against what the labor movement had wanted and been able to realize, with the help of the USSR, after 1945.

Of course, we are well-advised to remember also the alternative visions for a path to socialism that existed in the East, such as the one by Anton Ackermann, which maybe could have solved the multiple problems of real socialism, stretching from a lack of real working-class ownership and of hegemonic appeal, especially in the end, to its economic problems.

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