Privatising East Germany: Re-unification and the Politics of Real Estate

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‘In our time,’ Fredric Jameson wrote in a 2015 essay, ‘all politics is about real estate.’ Jameson’s clear-eyed conclusion makes immediate sense, read from within the embassy – a patch handed to the Australian state, then back to the GDR, then to the Federal Republic of Germany (via the Treuhand, as explained below), then to private owners, real estate developers and jobbing artists. Jameson goes on to list the varieties of this politics of real estate, which reaches ‘from the loftiest statecraft to the most petty manoeuvring around local advantage. Postmodern politics is essentially a matter of land grabs, on a local as well as global scale. Whether you think of … Palestine or of gentrification and zoning in American small towns, it is that peculiar and imaginary thing called private property in land … at stake.’ Within capitalism, he continues, ‘the land is not only an object of struggle between the classes, between rich and poor; it defines their very existence and the separation between them. Capitalism began with enclosure and with the occupation of the Aztec and Inca empires; and it is ending with foreclosure and dispossession, with homelessness on the individual as well as the collective level, and with the unemployment dictated by austerity and outsourcing, the abandonment of factories and rustbelts.’

1889 marked an inflection point in these long-running capitalist Landnahmen. The European socialist states’ collapse meant that imposing the ‘peculiar and imaginary thing called private property in land’ became a necessary step in the ‘transition’ to capitalist formations. Privatisation in Germany after 1989 focused on everything from warehouses to forests to hospitals to apartment buildings to railways – to former embassies. It entailed both privatising land and introducing market-type mechanisms into firms and the new markets. German re-unification intensified a western German drift towards neoliberalised political economy – under-
stood as introducing market-based forms of economisation, calculation, measurement and extrinsic valuation to ever more domains, always in the name of injecting competition at every level of social life. Individuals should compete, businesses should compete, nations should compete: each against all as private units. As in other states of competitive ‘workfare,’ re-unified Germany’s social policy was subordinated to the needs of labour market flexibility and ‘international competition’. In other words, the idea was to apply business strategy to the state and to punitively discipline citizen-subjects. This strategy has taken various paths since 1989 – capped wages, reduced public spending for the unemployed and increasingly ‘flexible’ workplace arrangements. All subjects in the re-unified German labour market have been left to self-manage their employability, debts, the income drop and the wastelands of reduced services. Privatisation is indeed the watchword of this postsocialist era – a term we can generalise to think about social life, not merely the economy or property relations. We have come to associate privatisation in this broad sense with neoliberal capitalism since 1989: the slow, selective rot of publicity – public spaces, public investment, public education and so on.

There were two critical loci of neoliberalism’s appearance in German transition policies: first, the Treuhandanstalt, the ‘Trust Agency’ responsible for privatising socialised East German assets, and, second, widespread unemployment and underemployment after 1990. The Treuhand was the agency responsible for offloading the GDR’s common assets. For a period, the Treuhand was the world’s largest industrial enterprise: responsible for selling state-owned GDR firms covering four million employees, plus agricultural land, forests, Stasi properties, public housing and medical facilities. The Treuhand was accountable for around 1,700,000 Ha of land. In total, the Treuhand held roughly 12,000 enterprises: it fully privatised 7853,
of which 1600 went to their former owners, 261 transferred to local councils, 2700 to former employees or managers; and 3713 were shut.

The Treuhand’s purpose morphed over the years. It was set up before re-unification, in March 1990, as a liberalising GDR government began to reorganise property rights, particularly in industry, finance and agriculture. Soon after the Wall fell, GDR economists, activists and politicians debated new economic approaches in a moribund economy. The late GDR state moved social property to a public trust overseen by this agency. They initially intended that the Treuhand would avoid functionaries selling or hoarding GDR assets for private gain in the post-Wall confusion – and this measure was particularly successful compared with other postsocialist nations. It was also meant to be more than that anti-corruption safeguarding device. Within the early Treuhand framework, various proposals were floated, including giving East German citizens an equal number of shares of this common property, as well as privatising some enterprises and transferring others to new state governments or foundations. Such proposals for ‘coupon privatisation’ were rejected by the last GDR socialist government, due to these approaches being unable to inject badly needed (foreign) capital into ailing state enterprises. Western bureaucrats took over the Treuhand after re-unification in October 1990, and its remit shifted: from a GDR trust to prevent the fire-sale of GDR assets to the federal agency of that fire-sale. By 1994, when the Treuhand was wound up, the enterprises’ new owners had made 2.5 million employees redundant. Public expenditure still accounted for 80% of the eastern economy in 1992–3 – a statistic suggesting political-ideological urgency prevailed over purely economic rationale in privatising so much of the former East. Benefits for unemployment, insurance and the labour market made up
almost a fifth of eastern German income. From 1989 to 1993, privatisation saw a third of jobs gone. In manufacturing, this rose to three-quarters of all jobs shed. Open and hidden unemployment was around 30–35%, a statistic reminiscent of the Great Depression (or Greece circa 2013). The Treuhand, in other words, was the chief, albeit contentious, mechanism for shedding eastern labour.

Given the scale of job losses, privatisation across the former East produced opposition beyond the unions. The Treuhand chairman was assassinated in 1991. The assailant remains unknown, but many assume it to be an affiliate of the Red Army Faction or a former Stasi employee. These links may be apocryphal, but we can nevertheless read the assassination as a motivated response to some strong economic medicine in the former East. Workers there were subject to a labour market noticeably different from that of western Germany’s post-war, bargained corporatism: they were inducted into an economic experiment – neoliberalisation – that would soon make its way west. In recent years, the Arbeitsgruppe Alternative Wirtschaftspolitik, a group of heterodox German economists, declared the Treuhand to have accomplished ‘dispossession without compensation.’ It is still openly debated whether a new Mezzogiorno was created: some mainstream economists have recently proposed that western and eastern regions are so divergent, it may be erroneous to consider them a single German labour market.

The top-down, undemocratic process of privatisation introduced eastern Germans to the political economic rationality of (western) German capitalism. Germany’s recent approach to eurozone economics and EU governance has seen these strictures deployed further afield: namely, high unemployment as the ‘cost’ of economic discipline. From 2010, Ger-
many and the ECB repeatedly demanded Greece and others privatise some of their land and government enterprises to repay public debt, despite the economic logic of such sales – ‘fiscal waterboarding’ in Varoufakis’ memorable phrase. In a particularly condescending episode, Josef Schlarmann, a senior CDU politician, and Frank Schaeffler, an FDP politician, suggested to the Bild newspaper that Greece should consider selling some of its islands, as well as the Acropolis and the Parthenon. The politics of real estate is nakedly expressed here, feeling no shame in anti-democratic outcomes that can even include hocking the symbols of democracy themselves.

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East Germany’s postsocialist transition bore similarities to those in other postsocialist nations but was distinct given West Germany’s role. The conjuncture of global and domestic politics during the Cold War’s final days was also a factor. The GDR was the only postsocialist nation to ‘transition’ to an existing capitalist state within its borders: an entire population was ushered into West Germany’s institutionalised social order built up after 1945. Whereas other postsocialist countries made capitalism without capitalists, eastern Germany saw a flood of western German technocrats flowing into its institutions. Its novelty lies, then, in the Institutionen-transfer – transferring the extant West German institutional make-up, its distinctive normative topography, to the former East.

None of this was inevitable in 1989. As with other nations at its eastern border, the path away from waning East German socialism was unclear, and the full stakes of transition continue to be overlooked. Re-unification has taken on the appearance of fate, rather than the political contest it was at the
time. The standard tale of the re-unification of the two Germanys – celebrated each October and November – sets out that the ‘transition’ from divided Germany to re-unified Germany saw the East’s archaic economy and ideologically closed society yielding, with western ‘expertise,’ to efficient markets and democracy. The reality is more mixed than this tale suggests. Persistent low productivity, enduring unemployment and repeated crises in the eastern states, self-serving western involvement and, above all, ideological experiments with human consequences – these were hardly the demands of East Germany’s mass movements in 1989. These persisting conditions have been demonstrably disappointing for those who went onto the streets to demand change.⁶

Germany’s current divisions run along several faultlines clustered around ‘real estate,’ including increasing income and asset inequality, as well as regional distinctions. The western German social (market) economy is, today, a self-satisfied political myth: measures of inequality suggest Germany is now among the most unequal in Europe. Germany’s ‘powerhouse’ status in the EU’s political economy masks its weakness. Even in western Germany, between 1993 and 2010, the labour market went from shrinking with increasing real wages to growing employment (particularly in part-time jobs) with falling real wages. In 2013, the Federal Institute for Employment Research recorded that 25% of German workers earned less than 9 Euro per hour, a salary less than two-thirds of the national average. In this context, the geographical unevenness of economic change across the period since 1990 is striking. In 2015, according to studies from Der Paritätische Gesamtverband, poverty levels in the eastern states were all above the national average of 15.7%.⁶ The handful of manufacturing complexes of western German or European firms in the East today (only 5% of the 700 biggest German companies are headquartered there) are run by western German man-
agers with an ageing ex-GDR and job-agency EU workforce. The same is true of staffing in eastern universities, which are now stacked with western-trained professors, with clear consequences on the range of acceptable approaches. Social displacement has been a considerable burden for eastern Germans – entailing dislocation from work, social bonds and homes.

By late 1993, just 29% of those employed in November 1989 were still with the same company – a shock for eastern communities in which workplaces, via socialist work brigades and so on, had been a significant site of sociability and leisure. Displacement was particularly acute for women: within four years of re-unification, women’s unemployment was double men’s. This shift in workplaces had other consequences. One-time eastern Gastarbeiter, typically drawn from other socialist states (e.g., Cuba, Vietnam, Angola), faced deportation, changed residence and working status shortly after re-unification. Xenophobia was unleashed at work and on streets within a rapidly changing social landscape and a threatening scramble for work. By its internal logics, then, the Treuhand was incredibly successful, with the GDR transforming from a state-owned to a predominately privately-owned economy in just a few years. However, considering social consequences and economic sustainability, it failed drastically – and its effects are arguably showing up politically today.

Following the Treuhand’s closure in 1994, unresolved assets were passed into the Bundesanstalt für vereinigungsbedingte Sonderaufgaben and administered from 2008 by, among other bodies, the Bundesanstalt für Immobilienaufgaben (BiMA / Institute for Federal Real Estate). This traces
the shift from state-owned housing and industry to privatised real estate and the increasing role of housing as ‘bank’ for capital switching. The BiMA privatised the former Australian embassy in 2010.

The embassy’s surrounds in Pankow have been caught the politics of real estate – namely, the recent gentrification spiral. Waves of exiles have swept into Pankow’s villas and Altbaus from neighbouring areas such as Prenzlauer Berg, Wedding and Friedrichshain. A host of local activist groups have been fighting subsidised building modernisation programmes and rental increases, including the Pankow-based political party the Mietpartei (Renter’s Party). The district’s shift towards Alternative für Deutschland (AfD) in recent elections constitutes a different response to this new phase in Pankow’s histories: it remains one of the most ethnically homogenous enclaves in the city, perhaps easily spooked into xenophobia amid an ‘influx’ of new social and economic forces. For decades Pankow housed many regime loyalists, who once voted for the nominally anti-capitalist Die Linke and subscribed to the GDR’s anti-imperialist agenda. Many of these voters, research has shown, have transferred to AfD’s bricolage of ‘good old days’ Heimat fantasia and anti-establishment bravado. The support for the AfD is subtended by some anti-capitalist resonances that the far-right party exploits in the former East.³ In just a few years, the AfD’s core programme has morphed from a nationalist response to the financial crisis and the EU, to an increasingly hateful politics after the asylum-seeker decisions of 2015. This shift at once dragged the AfD’s early adopters further right, while it sought new forms of electoral opportunity.

Pankow’s complexities suggest that, rather than a simple ‘xenophobic’ Ossi stereotype, peddled by western-oriented analysts, a full analysis needs to at least account for various
dimensions. First, the way both post-war states in a divided Germany mobilised fantasies about Nazism being on the other side of the Wall. Second, the patchy distribution of re-unification’s dividends and long-standing eastern criticisms of the ostensible pairing of capitalism and democracy. Third, neoliberalism’s disenchantment of politics by economics, which seeks to displace all political questions by economic means, an anti-political measure that has redoubled eastern alienation from parliamentary capitalist democracy. This depoliticisation of the economy has also brought ‘cultural’ chauvinism (‘we don’t want their way of life here’) to the fore as the terrain of reactionary politics.

Further, the cultural politics of Germany remains divided. Easterners, who lack cultural power and are distant from its centres, are often marked as ‘provincials.’ The AfD’s apparently appealing route to gaining forms of national sovereignty – which they describe as lost to the EU and out-of-touch German elites – is a nativist fantasy of strong borders, ethnic fixity, direct democracy and economic restructuring. All this is a means of bringing true Germans back to the core of cultural and political power. A truly unified community, or so the story goes, cannot be gained until ‘the nation’ is free from Islamic and other influences. In the eastern regions, this is undoubtedly, in part, a displaced attempt to overcome a feeling of social and political impotence – and this includes wrestling back control from property developers, speculators and the technocrats typically hailing from western Germany. The processes introduced by these outsiders, the story goes, always seem to favour ‘newcomers’ in whatever imagined form they take (so-called ‘economic migrants’, wine bars, Muslims, Americans, start-ups etc).

In this light, those among Pankow’s current and long-stand-
ing residents with sympathies for the AfD appear to be dis-
affected from re-unified Germany and Berlin capitalism’s
embrace of real estate speculation, privatisation, choked
infrastructure investment, labour market ‘liberalisation’ –
in short, the unevenness of Germany and Berlin’s modest
but real economic windfall since re-unification. Within the
politics of real estate, it’s also worth remembering that the
years since 1989 saw a thoroughgoing financialisation of the
economy – a shift in regulatory regimes of the financial sec-
tor that saw much global money flush into German banks
and assets. Germany may pride itself – and may be envied
by outsiders – as being a nation of renters, rather than a na-
tion of home-owners; as thrifty savers rather than profligate
loan-takers. But the politics of real estate has arrived here
too in Berlin, as the spatial and property logics of capitalism
demand it must: such is the conclusion of the privatisation
programme begun in 1990.

At the time of writing, the embassy site until recently seemed
damned to a future existence as luxury designer apartments –
the apotheosis of contemporary urban real estate, the pro-
liferating antechambers of ossified social relations and aes-
thetic good taste, the favoured parking spots for global capital.
A heritage listing and proposed purchase by the Berlin Senate
may save it from this fate, delivering it instead to the least-
worst outcome of a state-sanctioned cultural institution. But
the outlook in Berlin remains, at best, uncertain and, at worst,
bleak. Long-term, only an alternative political economic pro-
gramme can shift it in another direction. Short-term, practic-
es of subversion, occupation and obstinacy can continue to
hold on to other potentials.


7 Der Paritätische Gesamtverband, Menschenwürde ist Menschenrecht: Bericht Zum Armutsentwicklung in Deutschland 2017 (Berlin: Der Paritätische Gesamtverband, 2017).

8 Brigitte Young, Triumph of the Fatherland: German Unifi-


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