



Paul J. J. Welfens (Ed.)

Economic Aspects of German Unification

National and International Perspectives

With 19 Figures and 67 Tables

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PREFACE

Robert G. Livingston

Germany's "monetary, economic, and social union" was proclaimed on July 1, 1990 - a decisive step that brought together the liberal, social market economy of West Germany and the centrally planned, communist one of East Germany, the German Democratic Republic. From that day onwards there was no turning back from German unification, and constitutional union followed shortly thereafter, on October 3, 1990.

In truth, however, the union of July 1 was a monetary one only. That was the *fait accompli*. The West German D-Mark became the official medium of exchange in the GDR. The process of economic and social unification, however, only started to begin. Completing that process, not to speak of political, societal, psychological, and cultural unification, will take many years.

Many of the difficulties that Germany will face in uniting economically became evident quickly in the summer and fall of 1990. Professor Paul J. J. Welfens, who was at that time the John J. McCloy Distinguished Research Fellow in residence at the Institute, foresaw some of these problems and convinced us that the Institute should bring together outstanding economists to analyze them for a wider public.

Professor Welfens succeeded in interesting a broad range of academic scholars, international civil servants, and researchers from business firms and banks to address what were then a completely new set of unanalyzed, even unanticipated, exciting, and important issues. He convened the Institute's conference November 13-14, 1990, less than five months after monetary union. It was held at the University's Paul H. Nitze School of Advanced International Studies, which provided welcome logistical support.

The chapters in this study are the product of the presentations and commentary at that conference. They deal with a range of macroeconomic, microeconomic, national, and international challenges, the dimensions of which have since last November become much more widely recognized. Both the conference and this volume are the product of Professor Welfens's insightful, tireless, and detailed efforts.

The Institute is deeply grateful to Professor Welfens and to the authors and commentators whose work appears in this volume. We are proud to accord it a place in our publication series. Our appreciation is due also to the John M. Olin Foundation, which funds the McCloy fellowship, as well as to the several generous supporters of the conference on "The Economic Aspects of German Unification:" The Dresdner Bank AG, the Lynde and Harry Bradley Foundation, Lufthansa German Airlines, Morgan Guaranty Trust Company, the Representative of German Industry and Trade in Washington, D.C., the Siemens Corporation, and the Fritz Thyssen Foundation.

Robert Gerald Livingston

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Washington, D.C., July 1991

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