

# FRONTIER THESESES: EXIT, VOICE, AND LOYALTY IN EAST GERMANY

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Twenty years ago, in his imaginative *Exit, Voice, and Loyalty*, the economist Albert Hirschman noted two ways in which customers can respond to a firm's deteriorating performance. They can switch to another product, or they can complain to management. In Hirschman's terms, they can exit, or they can exercise voice. This holds not only for firms but also for schools, political parties and

voluntary associations. The book explores the various ways in which exit and voice, singly or jointly, function as corrective mechanisms, spurring organizations to improve their performance.

Ordinarily, as Hirschman himself admits, the model does not apply to states. Voice is of course central to national politics—although seldom in so spectacular a fashion as in the bicen-

ennial year of the French Revolution. But exit is usually marginal.<sup>1</sup> Emigration may be restricted directly, as it was by mercantilist regimes and, until recently, by communist regimes. Or it may be limited indirectly by other countries' restrictions on entry. This is the case today for most would be emigrants from poor and strife-torn countries. Even where massive emigration has occurred—as in the 19th

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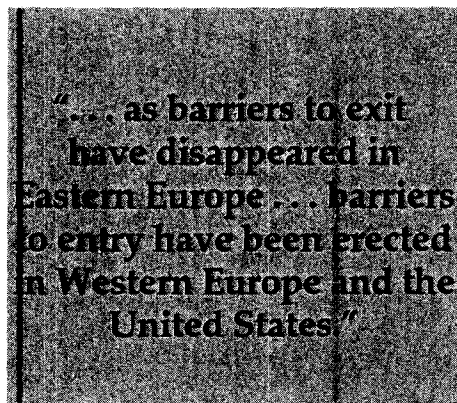


century European emigration to America, or in many 20th century refugee flows—exit has generally been regarded by states as a safety valve, not a hemorrhage. As such it has given states no incentive to improve their performance. The westward flight of two million East Germans between 1949 and 1961 was a great exception. But in the absence of voice—at least after the suppressed uprising of 1953—exit provoked closure rather than reform. Ordinarily then, the exit-voice model has little bearing on states.

But these are not ordinary times, and East Germany is no ordinary country. The stunning events of last fall seem almost to have been scripted to illustrate Hirschman's model. For the revolution in Germany was driven by the intensifying and mutually reinforcing pressures of exit and voice. The exit-voice framework illuminates the German revolution of 1989 in four ways. First, it underscores the key difference between developments in East Germany and elsewhere in Eastern Europe. Second, the feedback effects between exit and voice help explain the trajectory of change in East Germany. Third, the model brings into focus the problems created by freedom of movement between radically discrepant economies and polities. Finally, it provides a fresh way of thinking about German reunification.

Exit has been liberalized throughout Eastern Europe and in the Soviet Union. But only East Germany is even remotely threatened with a mass exodus. For free exit means little without a complementary right of free entry. And as barriers to exit have disappeared in Eastern Europe and the Soviet Union, barriers to entry have been erected in Western Europe and the United States. It is becoming impossible for a Pole or a Hungarian to qualify for political asylum in Western Europe—and for good reason; and Soviet Jews no longer automatically qualify for asylum in the United States—at the very moment, ironically, when resurgent antisemitism has strengthened the objective case for asylum. Some Eastern European and Soviet citizens may be accepted as immigrants by Western countries concerned about declining birth rates

and a shrinking labor force, but the numbers will be small—both in absolute terms and in relation to the numbers of those who would like to emigrate. Thus Eastern European countries and the Soviet Union can liberalize exit without fearing the hemorrhage that threatened East Germany.



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The German case is unique. First, the two Germans are linked not only by the bonds of nationhood but also by the bonds of citizenship. As far as citizenship law is concerned, the division of Germany never happened. Or rather it happened only from the East German side. Since 1967, there has been a separate East German citizenship, but there has never been a specific West German citizenship. This is because the framers of the West German Constitution did not want to consecrate the division of Germany. So they insisted on the continuing validity of a single German citizenship. That citizenship has long been scorned as an embarrassing anomaly. Yet it took on new meaning last fall. For it is that citizenship that guarantees every East German, as a German citizen, the constitutional right to enter, reside and work in West Germany.

Second, Hirschman's model brings into focus the central dynamic in the East German revolution. Soviet permissiveness was a necessary condition for that revolution. But it was not a sufficient condition. The central dynamic lay in the mutually reinforcing and amplifying pressures of exit and voice.

For years, East German citizens had voiced demands for freer exit, including both travel and emigration rights. In response, the government markedly

liberalized exit in January 1989. As a result, visits to West Germany soared. For the first time, large numbers of persons below retirement age were permitted to visit the West. More surprising still, 60,000 persons quietly emigrated—legally—in the first eight months of last year. Hundreds of thousands, perhaps millions more began to think more or less seriously about leaving. The government faced a dilemma: approve emigration requests and allow a slow bleeding of the country, or refuse them and aggravate popular discontent. Thus even before the dramatic events of last fall, the specter of mass emigration had convinced the more open minded party leaders that reform was necessary.

In this setting, the opening of the Hungarian border and the thronging of West German embassies in Prague, Budapest and Warsaw was the decisive catalyst for change—especially since the exodus became a media spectacle beamed into East German homes, first by West German then even by East German television. The spectacular exodus conveyed the sense of a regime in crisis, and this in turn triggered an unprecedented exercise of voice, emboldening demonstrators in Dresden, Berlin and especially Leipzig. At the same time, the breakdown of east-block cooperation raised the cost of closure. To prevent exit now, the regime would have had to take the extremely unpopular step of barring travel even to other east-block countries. Since the regime was unwilling to do this, the wall lost its *raison d'être*. If citizens would no longer be compelled to remain, they would have to be induced. Reform was urgently needed in order to avert a hemorrhage.

Thus the threat of mass exit made the regime uniquely responsive to voice. Reciprocally, voice was used to demand unconditional free exit. In response, a markedly liberalized travel and emigration law was announced in early November. A few months earlier, this would have been a cause for celebration. Now it was rejected as an unacceptable half-measure. Finally, the borders were thrown open in a desperate attempt to persuade citizens not to leave. The Wall that was erected in 1961 was breached 28 years later for

the same reason: to keep East Germans from fleeing to the West.

There was only one problem: it did not work. The flood of resettlers continued, even in the euphoric period immediately following the opening of the Wall. There were 55,000 resettlers in the first twelve days alone. This was less than 1 percent of the millions who visited West Germany in those first mad weekends, but in absolute numbers it was as many as fled through Czechoslovakia in the feverish exodus of early November. Nor did the flow abate thereafter; 150,000 emigrated in the first ten weeks of this year. Finally, after the East German elections the exodus tapered off, but even then it continued at 5,000 per week.

In West Germany, the continuing influx has come on top of an immigration well exceeding one percent of its population last year (five times more, in relation to its population, than legal immigration to the United States). Last year's immigration aggravated an existing housing shortage and this was skillfully exploited by the radical-right *Republikaner*. Unemployment remains high, although it actually decreased slightly last year, and many West Germans are concerned about newcomers underbidding them on the labor market. A greater focus of resentment is the fact that resettlers have been immediately eligible for generous welfare benefits.

These problems are compounded by the continuing mass immigration of ethnic Germans from the Soviet Union, Poland, and Rumania. Thanks to a sort of West German "law of return," they possess rights to entry, citizenship and extensive welfare benefits. Three hundred seventy thousand of these ethnic Germans arrived in West Germany last year, and the numbers so far this year have been even higher. There are about two million ethnic Germans in the Soviet Union, a million in Poland, and 200,000 in Rumania. It is conceivable that the majority will want to emigrate.

Further immigration of East Germans and ethnic Germans may reduce the already narrow margin of tolerance towards non-German immigrants. Resentments triggered by the massive immigration of Germans may be displaced to persons seeking political

asylum—120,000 last year—and towards the nearly one and half million Turks. Even before the events of last fall, the noisily xenophobic *Republikaner* scored surprising successes in state and local elections. Turkish immigrants would be especially vulnerable to xenophobic politics, precisely because so few have acquired German citizenship. Besides, the Turks may suffer directly from the increased competition for jobs and housing.

In the West, then, a persisting mass exodus would exacerbate social tensions. In East Germany, it would exacerbate economic problems. Emigrants have been disproportionately young and skilled—precisely those whom East Germany can do least without. About three percent of the East German population has left in the last twelve months, and the fraction is much higher in certain regions, age groups and occupational sectors. Hospitals and clinics have been particularly hard hit. Depending on the pace and structure of reunification, East Germany may have to turn increasingly to foreign guestworkers to make up for the losses—to Vietnamese and especially Poles.

West German local and state governments, and now finally the federal government as well, have taken measures to curb the influx. Welfare payments to resettlers have been reduced and, beginning in July, the government will no longer provide free temporary accommodation. Given the housing shortage, this last measure may be especially effective. Yet incentives for exit will remain. Wage differentials, unemployment caused by economic restructuring and dramatic price increases on subsidized goods may encourage resettlement.

But permanent resettlement is not the only issue. The opening of the frontier completely recast the problem of exit. This brings me to the last point—the problems created by free movement between radically discrepant economic and political systems. Before the Wall was opened, exit was an all-or-nothing affair. Emigrés lost their apartments, their property, their citizenship. Now, exit need not be definitive. Various types of exploratory, temporary, or partial exits are avail-

able. Many involve efforts to exploit the radical disparities between the two economic systems. Even before the border was opened, enterprising Poles had been buying subsidized goods in East Berlin and selling them in West Berlin. After the Wall was opened, other techniques emerged for exploiting the frontier. Some speculated in currency, especially when the black market rate was 10:1 or even 20:1, buying East Marks and smuggling them back into East Germany. Others speculated in real estate, anticipating a liberalization of the market, and using an East German front to circumvent restrictions on foreign ownership of real property. Some East German pensioners claimed to be domiciled in West Germany in order to receive a hard currency pension while continuing, in fact, to live in the East, just as some students registered at universities in West Berlin, while continuing to live in East Berlin, in order to receive the stipend paid by the West German government. Further tricks will no doubt be invented and strategies improvised to counter them.

More important than these tricks and counterstrategies is the question of East Germans' access to the West German labor market. Many who do not want to resettle in the West will nonetheless seek to work there, at least temporarily. This way they can enjoy East German prices—while they last—and West German wages. As German citizens, from the West German point of view, East Germans have an unconditional right to work in West Germany. Yet West German workers fear East Germans flooding the labor market. And both East and West German governments fear further defections from the East German labor market. The two states will cooperate in attempting to regulate East Germans' access to the West German labor market. But events can be "steered," as the Germans like to say, only imperfectly. Free exit, in the dual context of cultural unity and enormous economic disparity, simply creates too many opportunities for exploiting the frontier.

Finally, the model suggests a new way of thinking about reunification. For Hirschman, the choice between exit and voice can be influenced by a



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third factor: loyalty. When performance deteriorates, loyalty can keep members from exiting and lead them to exercise voice instead. The stronger the loyalty or commitment, the less inclined people will be to exit in response to declining performance and the more inclined they will be to exercise voice, to use their influence to try to correct the decline.

For most people active in the GDR opposition last fall, the choice of voice over exit did reflect loyalty. Not loyalty to party or regime, but loyalty or commitment to an independent East German state—not to the state as it was then, but to the state as it might be, to a political project of renewal.<sup>2</sup> Yet while this commitment to an independent GDR had strong support among intellectuals and political activists, it had little support elsewhere. The critique of consumerism, capitalism and nationalism that informed much opposition to reunification resonated only in elite circles. As early as November, opinion polls and street demonstrations indicated broad popular support in the GDR for reunification. In the face of this evidence, electoral competition led all major parties, one by one, to proclaim their commitment to reunification, so that this was not even a theme in the March elections. The only question concerned the timing and modalities of reunification, not its desirability.

Here Hirschman's model can be enriched. For Hirschman, voice and exit are mutually exclusive alternatives, and the choice of voice over exit usually reflects loyalty or commitment—at least where exit is an attractive possibility. This model certainly fit the "political class" in East Germany last fall. But it doesn't account for the popular voice exercised in the streets of Leipzig.

Voice grounded in loyalty to an independent GDR was rapidly eclipsed by its exact opposite: voice demanding the dissolution of the GDR and the reunification of Germany. In effect, this was a demand for collective exit, for a collective switch from the "product" provided by the GDR to the superior "product" provided by the Federal Republic.

Of course, this is not the only way to think of reunification. When the East

German political class began talking about reunification, they had in mind something quite different. They envisioned a negotiated synthesis, drawing on institutional elements of both states. As Gysi put it, "We want a new Germany, better than the GDR but also better than the Federal Republic."

But while segments of political class in East and West were thinking about

constructing a new state—and, in dwindling numbers, still are—most East German citizens appeared to think about reunification as simple *Anschluss*, as collective exit, as a switch from the public goods provided by one state to those provided by another. For persons reluctant to leave homes, families and friends, collective exit was an attractive alternative to individual emigration. In place of the "retail" ex-

port of East German "consumers" to the West, it would involve the wholesale import of the West German "product" to the East. Instead of the migration of East German citizens, it would involve the migration of the West German state.

There is a deep irony in this use of voice to demand collective exit. Exit and voice, as conceived by Hirschman, are recuperative mechanisms; their

function is to correct lapses in performance. This they did splendidly in East Germany. Yet far from recuperating, the state is going out of business. Why? The availability of an alternative product and the lack of loyalty to an independent GDR have already been mentioned. But one further Hirschmanian factor may be added. The "product" offered by the West German state was not only attractive it was tried and tested. No doubt the Federal Republic is not the best of all possible states but the appeal to build a better Germany has found little resonance outside the political class. As Timothy Garton Ash put it, the underlying motto seems to have been Adenauer's slogan from the 1950s: "*Keine Experimente!*"—no experiments. Most East Germans would rather switch than fight.

To the political class, the prospect of constituting a new state was exhilarating. After all, how often does one have so splendid an opportunity for con-

structive high politics? But the exciting and uncertain prospect of public action held little appeal for ordinary citizens. They sought instead the rapid establishment of a state framework that would guarantee the pursuit of private satisfactions—a pursuit so unequally available to East and West Germans, and Eastern and Western Europeans, since the war. Seen in this light, the decisive victory of the CDU in East German elections in March represented not only disenchantment with the political left, but disenchantment with politics as such and the promise of a rapid and long overdue escape from politics. Hirschman himself has analyzed the powerful attractions of such an escape in *Shifting Involvements*.

A great social and political experiment has been occurring in Germany. Never before have two states united by history, language, culture and even citizenship, yet divided by an enormous economic gap, existed side by side with freedom of movement between them. "A nation,"

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wrote Ernest Renan a century ago, "is—if you will excuse the metaphor—a daily plebiscite." That metaphor needs no excuse in East Germany today.

*Notes:*

<sup>1</sup> Exit is ordinarily politically marginal (not economically marginal).

<sup>2</sup> This commitment was most clearly expressed in the appeal to GDR citizens drafted in early December by leading cultural and political figures. The appeal was entitled "For our Country" [*Für unser Land*] and reads in part as follows: "Our country is in a deep crisis. . . . Either we insist on the independence of the GDR and try . . . to develop a solidary society in which peace and social justice, individual freedom, freedom of movement and the preservation of the environment are guaranteed. Or we have to accept that . . . a sellout [*Ausverkauf*] of our material and moral values will begin, and that sooner or later the GDR will be taken over by the FRG. Let us follow the first road. We still have the chance . . . to develop a socialist alternative to the Federal Republic. . . . We call on all citizens who share our hopes and concerns to sign this appeal."