6.1.3 HANDOUT

MARKET ECONOMY DBQ

"Transition from a Command to a Market Economy"

This task is based on the accompanying documents (1-7). Some of these documents have been edited for the purpose of this task. The essay will test your ability to work with documents. As you analyze these documents, take into account both the source of the document and the author's point of view.

Directions:

Read the documents in Part A and answer the questions after each document. Then read the directions for Part B and write your essay.

Historical Context:

Following the aftermath of WWII, Germany was divided into East and West. East Germany, from 1945 to 1989, was controlled by the Soviet Union politically and economically. The command economy was the system the East Germans followed for over four decades. After the fall of the Berlin Wall, East and West Germany became a single country politically and economically. Under the reunification plan, former East Germany had to transition from a command to market economy.

By using information from the documents, as well as your knowledge of the topic, write an expository essay that discusses the changes that occurred as the former East German citizens transitioned from the command to the market economy. Discuss the positive and/or negative effect these changes have had on the lives of the people.

Explain **3** changes in the life of a former East German as the command economic system transitioned to the market system.

Discuss the positive and negative effects these changes had on people in the new eastern states.

Include an introduction, conclusion and supporting paragraph(s). Be sure to cite the documents as you include specific details. You must also include additional information from your knowledge of social studies.

The documents give example of the effects that the market system policies have had on the lives and attitudes of the former East Germans who have dealt with the changes. Examine the documents carefully and then answer the question(s) that follow each document.

Document 1: Graffiti

Photo: David Johnson (Huntington, NY)

Translation: *Capitalism has no mistakes- it is the mistake* (*in red: For Communism*)

This was found painted on a building along a street in Erfurt, a city in the former East Germany.

1. Which economic system is being targeted?
2. Is the graffiti writer for or against the change to market economy?
3. Based on your answer to #2, find 2 words that support your answer.
4. Does the picture make one think there is an organized group with these feelings?
5. What is the use of the hammer and sickle as a symbol conveying?

Document 2: Hotels

Under the command economy, most businesses were owned by the state. Today's Radisson Blu Hotel in Erfurt (Thuringia) first opened in 1980 as the Hotel Kosmos and was part of the "Interhotel" chain present in all larger East German cities.

Compare the images on the left and right.

1. Look at the style of the building and decoration. What do you think was the importance of such hotels in East German cities?
2. Looking at the image of the hotel as renovated and reopened, can you tell if market forces and consumer demand had an impact on the style of renovation?

Document 3: Candy Company Owner

Photos by Kim D. O'Neil

Only a small river separates the east German city of Görlitz from Poland. In 1896 a small nonpareils candy company was founded there by the Rudolf Hoinkis family. Today it is still a family run business with Mr. Bernd-Christian Hoinkis as the general manager, but for much of the 20th century this candy company was not always run nor owned by the family. The following is a synopsis of the company's history as related by Mr. Hoinkis in July 2003:

After 1945 when East Germany had come under the command economy, the government took control of the business; however, family members were allowed to remain employed since they knew how to make the candies. The government was the only customer so there was no need to improve technologically or deal with advertising. In 1989 the command economy fell. One reason for this was because the system at the time didn't work economically. This was a very chaotic time for the country and for Mr. Hoinkis because he didn't know the market economy. He also had to buy the company back from the government although he claims it was not much, and he had 20 years to pay them. However, under the command economy, the company had lost 40-50 years in the modern manufacturing world. They didn't know how to package or advertise the product so it was hard to export to the West. The result was that the company was going to close, but Mr. Hoinkis went to a sweets fair in Cologne, West Germany. There he met a Belgian who was interested in packaging the sweets so they could compete in the Western markets. Things moved fast and in 1994 the company received an award for the sweets and in 1996 a new factory was built. The candy products are now exported to 22 countries and the factory now has 3 working shifts of employees. Under the command economy, salaries were low, but there was no unemployment in the area. All the candy prices were fixed. There was no need for the consumer to compare prices so the mode of life was easier. Under the market economy, there was an 800% increase in efficiency. One machine took the place of 40 people. 98% of the people like the new system. Mr. Hoinkis is now looking at the eastern markets in Poland and the Czech Republic.

Questions:

1. Who owned the company between 1945 and 1989?
2. Name one reason why the company almost closed in the 1990s?
3. Explain why the company was able to continue existing under the command economy, yet had difficulty after 1989?
4. What percent of the people does Mr. Hoinkis feel are unhappy with the market economy?
5. Give one negative effect of the transition to the market economy?
6. Give one positive effect of the transition to the market economy?
7. How do we know that Mr. Hoinkis is determined to make his company successful in the market economy?

Document 4: Automobile Industry

Photo by Kim D. O'Neil

Along a city street in Erfurt, in the former East Germany, it is not difficult to spot a new Volkswagen or BMW, but it is less common to still find an old Trabant, last produced in 1991.

In former East Germany, the Trabant became the symbol of Eastern transportation. Built of plastic, wood, and fiberglass, the last Trabant made in 1991 differed relatively little from the company's 1957 model. Because of Moscow's insistence on having a monopoly on powerful motors, the Trabant's top speed was between 40 and 50 mph with a motor sounding like a loud motorcycle. The Horch factory, which manufactured the cars, was nationalized after WWII. After the collapse of the command economy in 1989, there were efforts to mount a larger engine in the car to make it competitive in the new market reality. However, people whose previous choice was limited to a Trabant really wanted to choose from among the large variety of options available after unification.

The Trabant, however, is not forgotten. As a reminder of the past, Trabant drivers gather together annually in Zwickau, the town where the factory was located. Many East Germans are determined not to let the Trabant disappear. With production shut down, the city of Zwickau witnessed the exodus of many residents to the West. High unemployment continues to be a problem.

Questions:

1. Why would the Trabant have difficulty competing in the 21st century automobile market?
2. In the command economy there is little focus on consumer goods. What evidence does this article present in support of that statement?
3. How do we know that there are many people who look at the Trabant with positive feelings of nostalgia?
4. Name one positive and one negative effect the market economy has had on the town of Zwickau?

Document 5: City Buildings

Photos: Kim D. O'Neil

Görlitz, a city in former East Germany, sits along the Polish border. Here it is common to find newly refurbished buildings alongside buildings in disrepair. Since German reunification, over half of the town's buildings have been restored. Prior to 1989, little was done by the government to maintain these older buildings.

Questions:

1. Why would a brief look at the city of Görlitz prior to 1989 give one an indication that the command economy was not doing well?
2. Why didn't the Görlitz citizens use their money to fix up their buildings?
3. Based on the document, why might a resident of Görlitz have positive feelings toward the market economy?

Document 6: Arts and Culture Department, City of Erfurt

The following is a secondary source document by Kim D. O'Neil:

During the summer of 2003 I was fortunate to travel to the city of Erfurt located in former East Germany and speak with Dr. Jutta Lindemann, a college art teacher for over 25 years and presently the director of fine arts and projects in Erfurt, a woman who had lived her entire life under the command economic system. Over lunch she shared her thoughts and personal experiences living under both economic systems. I was anxious to hear how thrilled she was with the market society and how she must enjoy the variety of consumer goods now available to purchase. I was in for a shock.

Dr. Lindemann felt that the biggest change for her under the market system was that now she was responsible for herself. Basic costs for food and housing were now much more expensive since the government did not control the prices. Under the command society she had been a college teacher and would have had that job for life, but under the market system she was let go because student enrollment had dropped. Many families left the area because the local factories were so far behind technologically that they could not compete with the products from the West. She felt badly that many families were split since one parent would leave the area in search of employment. She had had to search for a job and felt she was one of the fortunate to have found one in Erfurt so that she did not have to move and leave her friends.

To her, capitalism was not removing her from a life of drudgery from lack of consumer goods. She asked, "What is the excitement of choosing from many washing machines when one is enough choice? Life which had been easy has now become complicated." People thought that life prior to 1989 had been repressed, but "this was not true for the average person." She did not feel it was best to have changed completely from the command to the market economy. "They should have kept the best of our previous system. To throw it all away they are saying that we have lived our lives incorrectly for all of these years. I disagree," she said.

Many people have gone into great debt to purchase these new consumer goods. Since they had no training or basic concepts of credit, they bought far more than they could afford and many may never be out of debt.

I left the restaurant realizing that all of my life I had lived under the market system as she had lived under the command system. That day I learned how important it is to hear the viewpoints of those who have the experience rather than to rely on what I think they must feel.

Questions:

1. Why are the prices for housing and food higher now than before 1989?
2. Why did the factories close under the market system?
3. How have individual families been affected by the market system?
4. What became available under the market economy to help people make purchases?
5. How does Dr. Lindemann feel about the greater choice of consumer goods?

Document 7: Consumer Goods

THE NEW YORK TIMES

East Germans hanker after bygone things

By Nora FitzGerald
March 2003

BERLIN— More than 12 years after the fall of the Wall, East Germans are seeking out the cosmetics, creams and spirits and sweets of their youth, in their own quest to rediscover their past — in this case a past that nearly disappeared without a trace.

By 1990, very little routine was left for the East German, and suddenly nothing was familiar. Eastern products were left to languish and then perish when luxury goods from the likes of Yves Saint Laurent, Clinique and Estee Lauder entered the Eastern marketplace after 1990. But by the mid-1990s, a general ennui had struck many East Germans regarding the West's forbidden luxuries.

"Women's faces were breaking out from the cosmetics and they didn't like the extra cologne in the creams," said Marianne Koos, whose inconspicuous shop tucked in Berlin's Alexanderplatz train station specializes in Eastern products.

More often, many East Germans simply missed the smells, the textures and the memories that went along with the products they knew.

"East Germans had such a longing for products from the West they couldn't buy before," said Bernd Niemann, marketing director for Berlin Cosmetics in Berlin. "Then something strange happened. They realized the products were not better and a lot of advertising promises could not be kept — at the same time that Chancellor Helmut Kohl's promises could not be kept. That was when they returned to the things they knew."

The feeling was coined ostalgie, a union of the word Ossie, or Easterner, and the German word for nostalgia. In recent years a trade fair of Eastern products has emerged in Düsseldorf, Germany's fashion capital.

In 1990, Alexander Buschner recalls walking into his local shop in East Berlin to find only one product, a box of matchsticks. The store was preparing for the influx of goods from the West. "It was a shock for me," he said. "But we had also wanted it. Finally we could shop in the West that had been forbidden to us."

Today, the 54-year-old archivist and collector shops in Koos's store, as well as other Eastern specialty shops. "I am buying this shampoo, Wutapoon, because it is a classic and the best dandruff shampoo on the market," he said. Since Buschner is very nearly bald, one wonders if this isn't an emotional purchase.

"I know them all," he said, looking at the unadorned, straightforward packaging around him. "And I remember them fondly."

Sabina Voigt, 40, is buying Florena face cream, a favorite of East Germans, and chocolate. "The Western creams have too much fat in them," she said. "My son is a typical boy from the West. But I like to buy him the chocolate and the sweets we were eating, and I prepare things for him. The flavor brings back the feeling of my own childhood."

Several popular Eastern products, many of them beauty aids, have survived against all odds because of this deep loyalty. Berlin Cosmetics is a firm from the former times that has not changed its labeling and looks antiquated, even cheap, to the outsider. The state-owned enterprise was the only provider of lipstick to East German women 12 years ago. After a difficult transition, the company regained market share with its cult-like following until it had 10 percent of the market by the late 1990s.

Florena skin creams, long the staple cream for East German women, has been bought by the giant Nivea over the past four years, yet it has maintained its management and identity for their East German customers.

Rotkaeppchen Sekt, the sparkling wine, is also thriving — and famous as one of a handful of East German brands to buy a West German brand — in this case the sparkling wine, Mum. The acquisition last year increased its cachet with the average East German.

After state-owned enterprises were privatized in the early 1990s, loyal customers kept these products afloat, remembering them as a little indulgence because cosmetics, creams and spirits could be hard to find under the old system.

"Socialist countries could never keep supply up with demand, and luxury goods were rare," said Peter Claussen, marketing director for Rotkaeppchen Sekt-Mum. "These products were relatively expensive and you couldn't get them everywhere. And with Rotkaeppchen, you only had it when there was something to celebrate."

These old products can warm the East German heart, a fact that the new German film "Goodbye Lenin" parodies. In the movie, a good

socialist mother falls into a coma and wakes up after the Wall has come down. Fearing she will revert into a coma, her son haunts the shops of Berlin searching for the products she craved in the German Democratic Republic. The movie has captured the imagination of German filmgoers West and East.

Yet there are lingering differences. According to Alexander Mackat, who runs an advertising boutique targeting Eastern consumers, "East German women prefer a more natural look and don't buy as many cosmetics. Yet they color their hair more often than women from the West, who tend toward highlighting."

"You have to understand, it was like a big takeover for East Germans," said Mackat, referring to the unification of Germany. "We were told our biography is horrible and has no meaning. We had to cocoon ourselves for self-protection, and this was the beginning of Ostalgie. Today we have what we call 'ostimism.'"

"From The New York Times, [12 March 2003] © [2003] The New York Times. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited."

Questions:

1. Why did so many East German goods seem to disappear?
2. When did people return to their old products?
3. What has the reunification of Germany, with its transition from one economic system to another, felt like for some East Germans?