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A Marshall Plan for Greece? The European Union and the financial crisis in Greece. A theoretical and political analysis in the global world against a background of regional integration

Caused by imbalances over decades and enforced by the worldwide financial and economic slump 2008–2009, Greece has hopelessly run into public debt. The joint EC-ECB-IMF safe-guard austerity programmes have even deteriorated the economy of Greece that sucked into a free fall. – In search for solutions, it is discussed to launch growth programmes for the country – like the old Marshall Plan in the post-war period 60 years ago. – However, investigations show that there are lots of doubts if the Marshall Plan really was the reason for the long time growth in West-Europe in the 50s and 60s, nevertheless it was a political presumption for it. – The experience of the German Unification points out that much higher amounts of financial transfers and investments are anything else than a guarantee for growth and competition strengths. – For Greece, there seem to be only bad solutions. – At the same time the development path of European integrations is at a crossroad because the contradiction between the creation of an Internal Market and a Monetary Union on the one hand and the enforcement of "Cohesion" and "Solidarity" on the other hand is demanding fundamental adaptions for a survival of the European Union as such.

Plan Marshalla dla Grecji? Unia Europejska a kryzys finansowy w Grecji. Analiza teoretyczna i polityczna w globalnym świecie na tle procesów integracji regionalnej

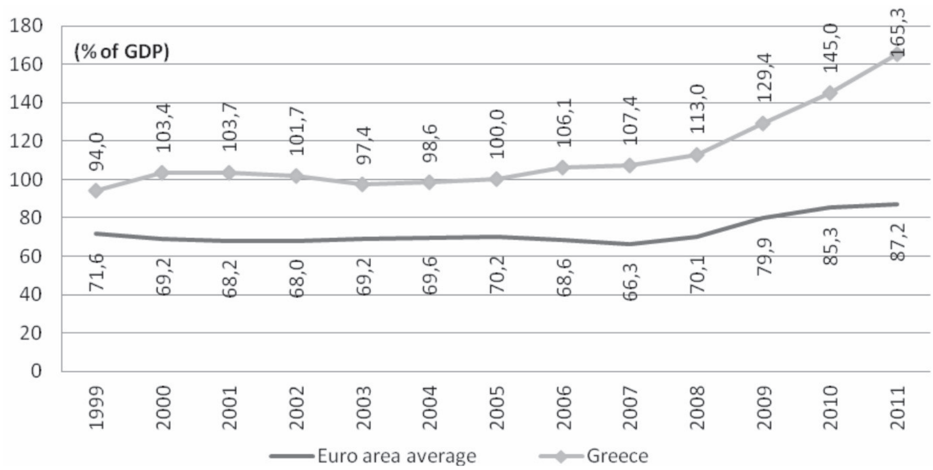
Z powodu wieloletniego okresu zachwiania równowagi i globalnego załamania sytuacji finansowej i gospodarczej w latach 2008–2009 Grecja odnotowuje wysokie wskaźniki długu publicznego. Negatywnie na stan greckiej gospodarki wpłynęły także wspólne programy oszczędnościowe Komisji Europejskiej, Europejskiego Banku Centralnego i Międzynarodowego Funduszu Walutowego. W ramach poszukiwania rozwiązań dla Grecji, wspomina się o wdrożeniu programów sprzyjających wzrostowi gospodarczemu podobnych do Planu Marshalla w okresie powojennym, 60 lat temu. Wyniki badań nie są jednakże jednoznaczne i istnieją wątpliwości co do rzeczywistego wpływu Planu Marshalla na długookresowy wzrost gospodarczy w Europie Zachodniej w latach 50. i 60. XX w. Doświadczenie płynące z procesu zjednoczenia Niemiec pokazuje, że znacząco wysokie transfery finansowe i inwestycje są niczym innym, jak gwarancją wzrostu i konkurencyjności. W przypadku Grecji każde rozwiązanie wydaje się być niekorzystne. W tym samym czasie można mówić o problemach, w obliczu których staje integracja europejska. Wynikają one z jednej strony ze sprzeczności pomiędzy tworzeniem rynku wewnętrznego i unii monetarnej, a z drugiej z procesu wdrażania w życie zasad spójności i solidarności, co ogółem wymaga zasadniczych zmian przystosowawczych w celu uratowania Unii Europejskiej.

Keywords: Marshall Plan, Greece, European Integration, financial crisis, East Germany, growth and competition

1. The problem

In Greece, the current economic and social situation is precarious in almost all respects. First and foremost caused by swelled and disguised economic imbalances over decades, the state has fallen hopelessly into debt. Furthermore, as in other EU Member States with weak and susceptible economic structures, the worldwide financial and economic slump 2008–2009 has dramatically exacerbated Greece's condition and has generated a specific pattern of sovereign, budgetary, labour market, social, and political crisis. Without external help, Greece could not service its running debt obligations, not to mention any time paying back the borrowed financial resources amounting to about 160 per cent of its GDP (see Graph 1) and adding up to a total of EUR 352 billion at the end of February 2002 (see: SZ 2012-03-10/11, p. 27). Already two years earlier, after a period of domestic political and social conflicts and turmoil, the authorities of the country asked for an *official* foreign financial assistance. At the beginning of May 2010, the Euro Group and the IMF endorsed an "adjustment programme" (EU) and a "Stand-by Arrangement" (IMF). This joint EC-ECB-IMF *short term* programme embraces a total of 110 EUR billion for three years [see: *European Commissio*n, 2010, 2010a]. Nevertheless Greece was threatened again with sovereign bankruptcy at the beginning of 2012 [see: SZ 2012-03-10/11, p. 1]. A new programme of an assistance of EUR 130 billion is in the making [March, 2012; *ibid*]. In the same month, the *private* creditors and the Greek Government have "agreed" on a so called haircut – to waive about more than EUR 100 billion to avoid a complete default of Greece [*ibid.*, p. 27].

Already in the first joint short term programme 2010, the IMF and the EU – more or less – dictated a tough austerity programme of comprehensive adjustment measures comprising mainly sharp budget expenditure cuts and tax raises in the short run, accompanied by the reforms of the labour market and the banking sector [see: *European Commission*, 2010a, pp. 49–52]. As a result, the Greek economy sucked into a free fall and the following additional rounds of more restrictive action even deteriorated the situation. For economic scholars this is quite understandable. Not only recent research studies have shown that such sorts of *short run* adaption programmes and their conditionality lead to deeper depression as foreseen in the very optimistic, but in general, unrealistic projections of its stakeholders [see e.g. Cordero, 2009]. The processes of fundamental destructions of economic structures coincide with very unsecure prospects of a recovery in the longer run in so far as the macro and micro economic philosophies of the austerity policies are only able to combat symptoms and not the underlying core problems of long time imbalances, world-wide global crises, severe dysfunctions of the public sector and, above all, a lack of competitiveness and low productivity of an economy [see: *European Union,* 2010a, p. 51, 69]. Not surprisingly, for Greece a third adjustment programme is already in discussion before the second has been launched.



Graph 1. Greece gross debt in comparison to the Euro-zone average

Source: Data obtained from Eurostat (eurostat.ec.europa.eu, 10.09.2012).

Against this background of a vicious circle, there are serious and concerned public and political calls demanding a more active and positive strategy and not stiffening economic development and investment in the name of saving. Werner Hoyer, the new president of the – public – European Investment Bank, proposed for Greece again a concept like the Marshall Plan that should have revived European economies after the Second World War. Greece would need such a constructive plan alongside its "unavoidable saving programme" to succeed in renewing the economic structures from the bottom up. The EIB has furthermore the resources to invest in infrastructure, promote private investment, and to support the domestic banks [Hoyer, 2012]. Among others, also the former Austrian Chancellor, Alfred Gusenbauer with Greece in mind, sees the urgent need for the Marshall Plan in the whole European Union. The political stakeholders, according to his criticism, would not use their potential and decide too late and too incompletely to defend their economies against global financial markets. A common growth strategy would be necessary to face the challenges – to save the Union, Gusenbauer implies, traditional thinking is not sufficient ("um die Union zu retten, reicht konventionelles Denken nicht aus") [Gusenbauer, 2012, pp. 1–3].

It is overall very charming making a virtue out of necessity. About 60 years ago, the Marshall Plan paved the way for a grandiose economic reconstruction in Europe, a miracle most of its contemporaries had not expected. But can there be a – creative – copy of historical remedies especially for Greece? Is there an alternative to the prevailing thinking that whatever decisions will be taken, they are bad ones for this country? – Maybe a solution for Greece is also a solution to avoid a domino effect and contagion of the whole Euro zone.

To give some answers to these questions, this paper depicts five steps of investigation. First of all, the Marshall plan as such, the political struggle for it, and its institutional pillars, including the OEEC and the European Payment Union, are sketched. Secondly, the author is going to outline the specific historical situation under which the Marshall Plan became a success story and shaped the global economic development und the political constellation for decades. Thirdly, history also matters concerning the most tremendous example of "Build-up East" ("Aufbau Ost") in the German New Laender that performed modestly, if not to say "failed", and demonstrates the limits of transformation and of catch-up development and of making economic regions competitive, especially in a common currency zone. Fourthly, on the one hand, the global challenges for Greece are highlighted, on the other hand, the specific type of the crisis of this country. Last but not least, some assessments are given about the EU's future tensions between (1) solidarity and cohesion and (2) a common currency in a world of global competition and global financial markets. – Is there a chance that a united Europe and Greece as a member of it will survive the fundamental contradictions in their development paths? – Taking all uncertainties in its mind and whatever the outcome may be, Europe and especially Greece will underlie fundamental changes and will not be the same in the next decades…

2. The Marshall Plan as such and its background

In May 1945, at the de facto end of the Second World War on the Old Continent, Europe had been the scene and focus of mass destruction, millions of deaths on battlefields and in cities, hunger, millions of refugees, and overall political and economic deterioration and disintegration. In the war-torn societies the social, political, and economic reconstruction was the primary concern and the common interest of all parties and movements. One severe and complex problem was how to deal with the War losers, especially Germany. The overall crucial question was how a new stable structure and balanced constellation could be developed to avoid any new war in the future. Experience showed that this should be done in another way and by a different solution than the Treaty of Versailles 1919 that led twenty years later to the next worst disaster on the Continent.

At the end of the WWII, the two leading Western Allies the *USA* and the *UK* saw the growing long-time confrontation with Stalin. As Davies [1997, p. 1065] remarks: "They had no special vision for Europe." Furthermore, the third Western Ally, *France*, insisted on dismantling and controlling Germany's heavy industry. Even more *Britain* "became something of a mystery to her European friends" [Zurcher, 1958, p. 6]. Looking eastward, the conservative opposition leader at that time, Winston Churchill, demanded on the one hand "a kind of United States of Europe" [Churchill, 1946, p. 2]. But on the other hand, as well as the British Labour-Government, he was reluctant to give any kind of national sovereignty to integration institutions – not to the Council of Europe in 1949 nor to the 1952 erected the European Coal and Steel Community ECSC of the little Europe of six. Churchill felt, as Zurcher sees it, the "United Kingdom (…) must remain in the centre of its own Commonwealth and imperial bloc" – and had to preserve its Sterling zone [Zurcher, 1958, p. 6][1].

Hogan (1998) makes the point that the *US American* post-war policy could not be understood, referring to Charles S. Maier, without the "politics of productivity" (p. 5) and the dominance of "corporate collaboration" [*Ibid*.]. In Hogan's mind, already in the 1920s (p. 4), under the American President Herbert C. Hoover, the backbones of a new philosophy that was conducted in the 1930s the socalled the Era of New Deal can be found, a "new associative order" (p. 5), a sort of "mixed economic policies" and of "corporative neo-capitalism" (p. 4) on the basis of high growth rates, Fordism and Taylerism. Not only the employment, investment and social programmes in the 1930s constitute the changed way of thinking but also corporatism and reconciliation. "By these I mean an American political economy founded on self-governing economic groups, integrated by institutional coordinators and normal market mechanism, led by cooperating public, and private elites, nourished by limited but positive government power, and geared to an economic growth in which all could share" [*ibid*. p. 2f]. This "new economic order at home" (p. 2) also "starts by tracing the evolution of American (…) foreign policy (…)" [*Ibid*]. To reconstruct the world market and the international financial systems (under the dominance of the USA), to strengthen the economic power and competitiveness of the European states, to unite the disintegrated and selfish national European powers in the dawn of the Cold War – for all these challenges

1 Later the UK approached more to Europe integration and became a member of the EC/EU in 1973, but the country is following till yet its own line not at least concerning the Fiscal Union or the common control of the financial markets.

a strategy of comprehensive external help for self-help in Europe was an essential option for the United States. Nevertheless it was an experiment, backed by the self-confidence of the American Nation, to launch and finance an enormous European Recovery Programme ERP, called short the well-known Marshall Plan. "It was this synthesis, which I have called the New Deal synthesis, that inspired the Marshal Plan to remake Western Europe (…)" [*Ibid*., p. 427]. Searching for such a "creative peace" was not only a historical experiment; it was highly controversially debated – not alone in the USA but also in Europe [*Ibid*., pp. 54ff]. A minimum of coordination and cohesion on the Old Continent was required not only to give humanitarian aid but massive resources for recovery, also for West-Germany. From the beginning, it was very obvious that this Plan would divide Europe further more into two antagonistic East-West blocks, and the struggle between them was not only decided on the military fronts, but at the same time in the economic fields. The next decades were characterized by three tracks all the time: (1) political, (2) military, and (3) economic strategies, followed in separated forms of institutions and contracts and with different speeds [Davies, 1997, p. 1084]. As a result, the organizational structures of integration were more than complex, as discussed below. Following Hogan, the engagement in Europe was the end of the reluctant global role of the USA. "Together with the North Atlantic Treaty and other instruments of Cold War diplomacy, the Marshall Plan supposedly marked the end of the isolationistic era and the beginning of (…) the 'American Century'" [Hogan, 1998, p. 1].

The ERP embraced about $ 14 billion within four years and nine months. A regular year like 1949 to 50 runs from July to June, with the exception of the starting year (15 months) and the final year (6 month). The figures discussed by scholars differ a little because it is not so clear in all aspects what belonged to the Marshall Plan and what did not. So Gerard Bossuet (2008, p. 13) comes to an amount of around 13 billion $. In terms of purchasing power, this 13 billion $ correspond to 108 billion $ in the year 2006 [*ibid*.]. That makes about less than 0,8 per cent US GDP of the same year – or a little bit more than 0,1 per cent if one take the duration of 57 months into account. The aid consists mainly of grants, but also about 10 per cents of repayable loans [*ibid*.]. Humanitarian aid in the years 1945–1958 (about 8,6 bio. $) is not part of the ERP. Furthermore, the military assistance up to 1980 amounts to an additional about 16 billion $ [*Ibid*., p. 15].

The states under the mantle of the Soviet Union were also asked to take part in the Marshall Plan, but Moscow forced them to refuse the financial support. Only Yugoslavia received Funds, but outside of the regular framework [Ott, 1990, p. 75].

Table 1. European Recovery Programme – Marshall Plan ($ million)

Country	1948–1949 15 months	1949–1950	1950–1951	1951–1952	1952–1953 up to Dec. 1952	Totals up to Dec. 1952
United Kingdom	1 619,7	907,9	298,4	350,0	266,9	3 442,8
France	1 313,4	698,3	433,1	261,5	100,0	2 806,3
Italy	668,0	403,7	244,0	159,3	40,0	1 515,0
Germany	613,5	284,7	399,1	91,7	23,8	1 412,8
Netherland (without Indonesia)	507,0	268,3	101,9	100,0	–	977,3
Austria	280,0	166,5	114,3	116,0	35,0	711,8
Greece	191,7	156,3	167,1	178,8	–	693,9
Belgium/Luxembourg	261,4	210,9	74,3	8,9	–	555,5
Denmark	126,2	86,1	45,1	14,0	4,5	275,9
Norway	101,1	89,5	46,1	16,8	–	253,5
Turkey	49,0	58,5	45,0	70,0	20,0	242,5
Yugoslavia	–	–	29,0	80,3	50,0	159,3
Ireland	86,3	44,9	15,0	–	–	146,2
Sweden	45,4	51,9	21,2	**-11,4		107,1
Indonesia	64,1	37,3	–	–	–	101,4
Portugal	–	38,8	11,7	–	–	50,5
Trieste	17,9	12,5	2,1	–	–	32,6
Iceland	8,3	7,0	8,4	5,5	0,6	29,8
Common Freight	–	–	–	33,5	–	33,5
EPU Capital Fund	–	–	350,0	11,4	–	361,4
Totals	5 953,0	3 523,0	2 405,9	1 486,2	540,8	13 908,9

** Transfer to the EPU [*European Payment Union*].

Source: [Ott, 1990, p. 75]; compare also OECD 2008, pp. 14ff; compilation by the author.

It is interesting to see that, the UK got the highest share of the money – 3 442.8 million $ or 25 per cent. The reason behind it, is that the UK was in 1947 definitely bankrupt in its public spending [Davies, 1997, p. 1063] and was unable to maintain its oversee policy in Persia. France got the second biggest amount – 2 806.3 million $ or 20 per cent. There is a sizeable gap between them and then Italy and West-Germany follow in the third and fourth place (see table 1). It was not feasible to exclude the war losers from the financial resources because Germany was needed as a bulwark and growth driver, and concerning Italy it was intended to push back the influence of the Communist Party. Furthermore, the high financial flow to the

UK and France was the price that they waive the post-ware reparations from Germany to foster the country's growth and, doing so, strengthen the Cold War's West bloc in the economic field. These circumstances give the first indications that the economic miracle in the whole of Western Europe and especially in Germany (and Japan) are not pure results of the levels of financial assistance of the Marshall Plan, because the allocation of the resources followed primarily political reasons.

Even more decisive was the institution built in Europe as an instrument distributing the ERP resources. At the same time, the organizational framework was the beginning of the European integration and of the reconstruction of a post-war multilateral trading system and of multilateral payment procurement. *Firstly*, to channel the Marshall Plan's funds the OEEC (Organization of European Economic Cooperation) has been founded and came into force in 1948 with the ERP receiving countries as its members. This OEEC was preferred instead of the ECE, the European Commission for Europe of the UN, within the Eastern States were represented[2]. Liberalizing trade within and with Europe was a *second pillar* for reconstruction, supported by an economic recovery and growth, technical progress[3], and multilateral GATT negotiations. *Thirdly,* in almost all European states there was a shortage of foreign currency that strongly hampered international trade. For this purpose the European Payment Union EPU was founded and started to work in 1950. It was a system of counter calculation of the payment deficits among the OEEC countries, and an additional system using funds out of the ERP to compensate BOP deficits[4].

It looks like an irony of history that the USA was the mother and leader of the European integration. Later in 1951/1952, the Little Europe of Six (ECSC - European Coal and Steel Community) chose a functional integration approach of market integration – so did the European Economic Community 1957/58 with also BeNeLux, France, Italy and (West) Germany as its members[5]. The whole map of integration in Europe is a complex bunch of interrelated, overlapping institutions and a science on its own, with the three political, military and economic tracks. Graph 2 (Table 2) and illustration 1 intend to give a rough picture of the organizational networks.

[2] Later in 1960 after the consolidation of West Europe, the OEEC was transferred into the OECD and changed its function as a think-tank of the mostly advanced countries and a coordination agency for bilateral development assistance to the Third World Countries.

[3] In the ERP there was also a financial line for technical assistance.

[4] For more details see Eichengreen/Macedo 2001.

[5] In the meantime, there are 27 Member States in the now called European Union – since 1973 also UK is a member, as mentioned.

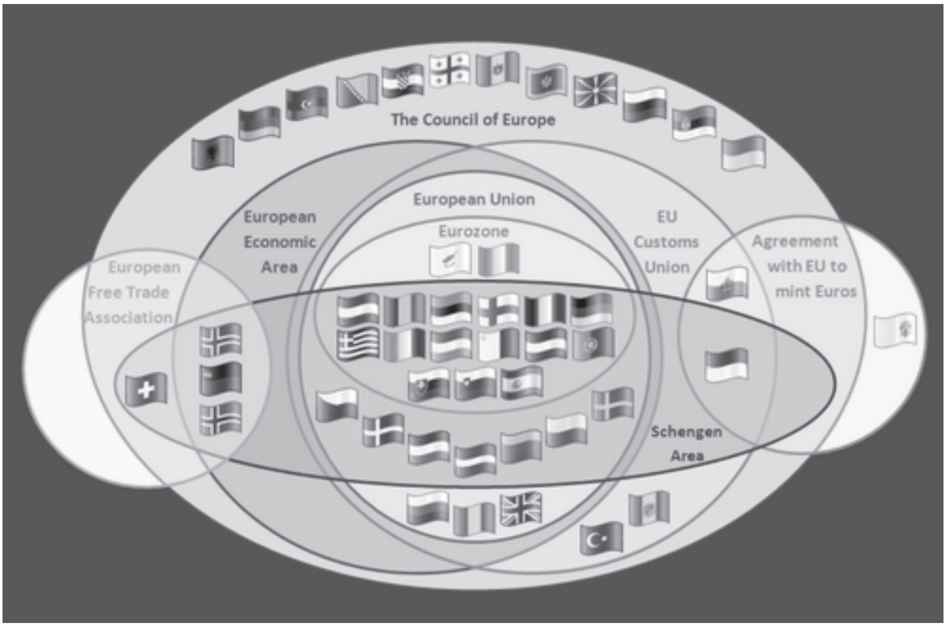


Illustration 1.

Source: http://wpcontent.answcdn.com/wikipedia/commons/thumb/8/84/Supranational_European_Bodies.png/500px-Supranational_European_Bodies.png

3. Features of the post WWII development

As discussed, the post WWII situation in Europe was moulded by the Cold War's East-West confrontation, by the needs to place Europe in a new international political, military and not least economic order, and by the necessity of an economic and social recovery. The UK was going its own way, trying to correct itself in the 1960s and 1970s, but the country – later within the EU – has remained aloof all the time. France arranged with Germany's recovery and later militarization under the head of the ECSC 1952, and later under the EEC 1958. Both nations had to witness (like Portugal, the Netherlands, and Belgium) that their models of colonization were outmoded. Besides the military situation, economic relation and potentials were prevailing more and more. Not only concerning its "modern" approach and strategy to less developed countries, but also with reference to shaping a new international, multilateral, and later global system, the USA was more advanced. Its economic and productivity power, its position of the real – and more or less only – winner of WWII, and its way of reconciliation, its corporatism and participation approaches can be seen as the dominant characteristics of a sort of

Table 2. The Development of the European Integration Organisations

Historical Predecessors	Others partly interconnected	EU in a narrow sense
OEEC 1948 Organization for European Economic Cooperation	ECE 1948 Economic Commission for Europe	ECCS (Mountanunion) 1952 European Community for Coal and Steel
EpaU/EZU 1950 European Payment Union	CoE 1949 Council of Europe	
EPC/EPG Agreements 1952 (not ratified – failed in 1954) European Political Community EDC/EVG the same European Defense Community	COMECON 1949 Council of Mutual Economic Assistance	
	WEU 1955 Westeuropean Union	EEC 1958 European Economic Community EAG (Euroatom) European Atomic Community EC 1967 Merger of institutions to the European Community
	EFTA 1959/60 European Free Trade Association	
	OECD 1960 Organization for Economic Cooperation and Development	
		Enlargement 1973 United Kingdom, Ireland, Denmark
		European Council 1974/86 European Political Coordination 1970/86
		Enlargement 1981/86 Greece, Portugal, Spain
		EU 1993 European Union (Treaty of Maastricht)
		Enlargement 1995 Austria, Finland, Sweden
		Enlargement 2004/2007 10 Middle East + Southern states
		New Constitution in 2004 not ratified Treaty of Lisbon 2007/2009

Source: Compiled by the author.

"modern" political management in the second half of the 20th century[6]. Having a high level of output, productivity and long-lasting economic growth behind it, the US-American society recognized that the New Deal was adequate to maintain and defend their domestic political system out of a position of superiority and predominance. And this philosophy was also transferred to the US foreign policy.

The Marshall Plan was one of the most prominent products of this thinking that had been realized as the starting point of a period of unprecedented success and prosperity in the Western world. It cannot be denied that the Marshall Plan was the political "bottle opener" for this process. It is not so sure that is has so much direct economic impact.

In its details and implementation, the Marshall Plan was not so well organized to optimize economic output[7] but was more stamped by political bargaining. As described, the ERP conciliated different interests, besides those of the USA, in particular those of the UK and France, and followed not so much economic and social efficiency step by step.

Nevertheless, the Marshall Plan met its broad objectives as we all know: The reconstruction of the world market, the liberalization of trade, an international monetary system and, at the same time, a new political order in Europe and in the whole Western hemisphere. Whenever the financial resources of about $ 14 billion US – in our days 100 maybe roughly 100 billion *Euro* – were not as much,[8] some scholars are of the opinion they would have been the so called critical mass or crucial margin to achieve economic recovery [Hogen, 1998, p. 432]. A second group of researchers assesses that the financial means of the Marshall Plan were marginal for capital accumulation especially in the long run [Abelshauser, 2011 passim, 2012]. A third opinion is that the economic miracle of post-war growth was due to a conglomeration of other interrelated driving forces that were historical unique and unrepeatable [Altvater, 1980, pp. 17ff].

For a long time a lot of economic researcher pointed out that economic growth is not steady and monotonous, but takes place in cycles and short term busyness cycles, such as kitchin and juglar (of three to five and seven to ten years) form altogether rhythms of long waves[9] with first more expanding and later more de-

6 This does not imply that a hegemonic power or the leader of a hegemonic group cannot use aggressive measures and policies. And this does not mean that such steering methods and philosophies are not brutal, and they are often anything else but fair. "Modern" political management intends to find long time solutions in complex societies and systems because this is a presumption to "optimize" personal, groups' and societies' interest. It is mostly shaped by uncertain expectations, and is open in its results.

7 Hogen (1998) shows in his scrutinized analyses of hundreds of internal US administration papers that political day-to-day decisions and no overriding economic calculations were prevailing. Only the philosophy was superior.

8 That is more or less the amount of the first joint EU-IMF adjustment programme in Greece 2010.

9 In this paper it is only discussed if the Marshall Plan was launched at the beginning of a new long wave after 1945. Different theories behind them do not matter here [See Gilles, 2009; Klodt et al.,

pressing nature with a duration of about 50 or 60 years which Kondratieff was thought to have identified in the 1920s. In the 1930s, Schumpeter tried to explain that basic innovations were the fundamental ingredients which cause the more prosperous phases in long cycles. There is some strong but at least no complete evidence that such long cycles do exist because every phase of long expansion and depression is connected with historical and exogenous influences such as wars, crop failures, natural disasters etc., and the driving forces cannot be analytically isolated. Furthermore, every economy differs in its individual development and potentials. A significant number of scholars neglect the existence of such long waves. However, if long waves do exist or not, in any case it can be said that the Marshall Plan of the post-war time performed in an overall favourable period of growth and prosperity. It was a running game, as mentioned more influenced by the political than the economic impact of the Marshall Plan. The most comprehensive economic speed up took place in war losing nations with long time undervalued currencies like Japan or West-Germany. Furthermore, the whole post-war economic miracles happened in countries with pre-war very competitive and strong economic structures that had to be "reconstructed" quite literally. There can be doubts if Greece will fulfil such presumptions. Above this, in the last sixty years, the characteristics of growth have changed essentially in knowledge driven societies, in global production and competition, and in global financial markets that are partly detached from real accumulation. Against this background, it is highly questionable as to whether the Marshall Plan can be copied with success in today's world.

4. German unification. "Build-up East" as a sort of the Marshall Plan

In its beginning in the years 1989-90, the event of unifying East and West Germany was a source of enthusiastic delight. It implied the victory of democracy against an authoritarian regime, the termination of the Cold War, the real chance of economic and social freedom for not only East Germany, but for the whole of Europe, free movement for all, and a lot of other lively hopes. However, after a short burst of euphoria, it became increasingly clear that the needed economic, political and social *transformation* in Eastern Germany – the so called New Laender – was going to be a hard challenge. And this challenge is still in progress.

Besides political rhetoric, the concept "Build-up East" (in German "Aufbau Ost") was very early understood as a task of profound structural change and not

2003; Metz, 2008; Nefiodow, 2006; Schumpeter, 1961].

as "only" a programme of short time boom and upswing. A former dominant centrally planned economy has to be transformed into a market driven system, or better said into a mixed economy in which the market forces are prevailing. *Transformation* is not reconstruction[10]; it is a fundamental change in a process of virulent interaction between the economic and societal dimensions. In knowledge driven societies and economies and against the background of global production and international markets, permanent innovation and increase in productivity is needed to survive in worldwide competition systems. And transformation is lasting long, quite a while longer as most of the protagonists and decision makers had expected more than twenty years ago. The "Aufbau Ost" tells the story that it is not so easy to succeed in the task of creating, in East Germany, a new global leading and highest competitive economy – whatever broad financial resources are made available.

No other historical example can be identified in which so much official financial assistance has been employed for the transformation and catch-up development. In the first eight years 1991-1998, the public transfers into the New Laender amounted to net 1 031 billion German Marks (see table 3); translated into round terms and in current values that is net Euro 65 billion each year. In the last 22 years, the whole inflowing Build-up-East expenditures can be estimated as about net 1 500 billion Euro, even increasing in the second decade[11]; that is 15 times more than the Euro 100 billion (in current values) of the 5-year Marshall Plan in the past. These enormous Aufbau-Ost budgets are concentrated on a population of a rough average of 15 million in the New Laender[12]. The Marshall Plan resources instead had been addressed to more than 300 million people in West Europe. Thinking in per head comparisons, the post-war assistance 1948-1952 seems to be very small, about less than 0.4 per cent of the German Build-up East programmes – up to now. At the moment there are no prospects to reduce these West-East flows, not to speak of an end of them in the sense of "mission completed". Transformation is lasting longer.

[10] The Marshall Plan situation was dominantly characterized by reconstruction, but not transformation.

[11] The Instiut für Wirtschaftsforschung Halle amounts 1300 billion for the first 20 years with an increasing trend [see Welt, 2009]. Now the 23th year is running. The figures discussed differ slightly, but not significantly. For the purpose of research in this paper it is not relevant if the figures are some billion higher or lower. Only the dimension matters.

[12] Against the background of the employment situation, the New Laender witnessed a dramatic reduction of its population mainly due to migration. Between 1990 and 2007 1,5 million persons, 10 per cent of the ex-GDR population, left the New Laender, most young people and paradoxically more women than men (Berlin-Institut, 2007, p. 4).

Table 3. Transfers into the New Laender 1991 to 1998

	1991	1992	1993	1994	1995	1996	1997	1998[1)]	1991 bis 1998 kumuliert
Bruttoleistungen insgesamt davon:	139	151	167	169	185	187	183	189	1370
Bund	75	88	114	114	135	138	131	139	934
Westdeutsche Länder und Gemeinden	5	5	10	14	10	11	11	11	77
Fonds „Deutsche Einheit“	31	24	15	5	–	–	–	–	75
Europäische Union	4	5	5	6	7	7	7	7	48
Sozialversicherung[2)]									
Davon:	24	29	23	30	33	31	34	32	236
Sozialleistungen	56	68	77	74	79	84	81	84	603
Subventionen	8	10	11	17	18	15	14	16	109
Investitionen									
Allgemeine, nicht aufteilbare Finanzzuweisungen	22	23	26	26	34	33	32	33	229
Einnahmen des Bundes	53	50	53	52	54	55	56	56	429
in Ostdeutschland	-33	-37	-39	-43	-45	-47	-47	-48	339
Nettoleistungen insgesamt	106	114	128	126	140	140	136	141	1031
Nachrichtlich:									
Defizit der Treuhandanstalt	9	14	24	24	–	–	–	–	–

1) Schätzungen anhand von Planzahlen; 2) Arbeitslosenversicherung und gesetzliche Rentenversicherung. Quelle: Deutsche Bundesbank.

Source: [DIW, 1999, p. 423].

In 1989–1990, the economic starting position in the New Laender turned out much more difficult as it was expected by experts[13].

– The production facilities were scuffed to a high degree and technologically obsolete [DIW, 1999, p. 420];

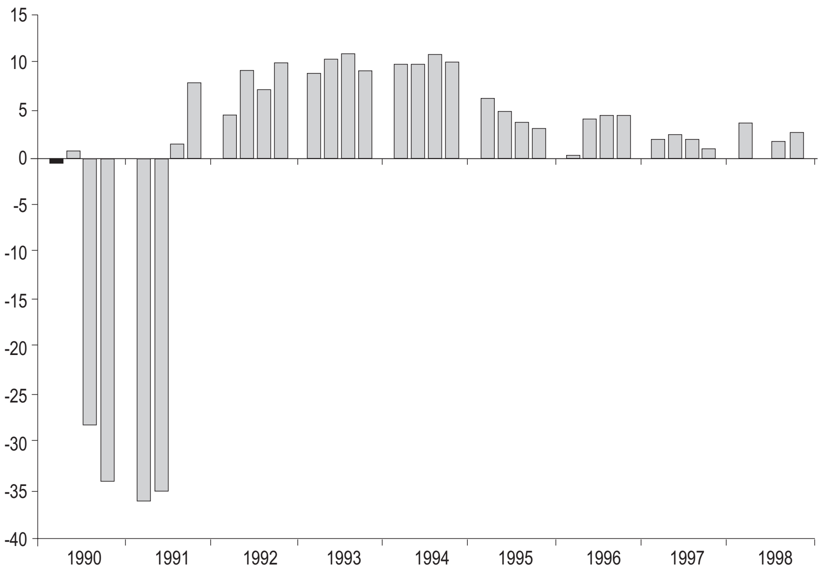
[13] The development of East Germany is analysed and scrutinized in a comprehensive way in uncountable studies. This paper mainly sums up the results of the common reports of three leading economic research institutes in Germany worked out for the German governments. These common reports consist of 19 regular studies in the 1990s and two additional progress reports in 2002 and 2003. An updated report has been worked out at the end of 2011, but did not get the official permission for publication up to now. (See SZ 2012-02-28) As investigating journalists think to know, the unpublished report confirms in almost every aspect the outcomes, empirical trends and the assessments of the former studies that were not so charming for all the different German governments in the last twenty years. In particular, three institutes have permanently prepared the common reports: The Institut für Weltwirtschaft Kiel (IfW; conservative), the Deutsche Institut für Wirtschaftsforschung Berlin (DIW, more emploment orientated), and the Institut für Wirtschaftsforschung Halle (East Germany focusing). Furthermore other research institutes were partly involved like the ZEW (Mannheim) and the IAB (Nürnberg). Out of practical reasons, in this paper the DIW publications are used; they are identical with the publications of the other institutes. Using common data and insights, the additional comments and assessments are done by the author of this paper.

- The products were of low quality, not adapted to consumer preferences, and not tradable on international markets to cost prices [*ibid*.];
- The organization of production was inefficient within and between the plants [*ibid*.];
- The inputs of material, personal, and energy were extensively used and were wasting resources on a high degree [*ibid*.].

As a result, the productivity of production was less than moderate and not at all competitive. The official production statistics of the Ex-GDR were even more manipulated than was assessed by the Western researchers before. The qualification of the labour force was not so bad in a formal sense, but it was remarkably lagging behind the digital development of the last decade [*ibid*.].

The historical determinants have even deteriorated the starting position. Main components have been [*ibid*., pp. 420 ff]:

- The implementation of an economic and currency union on the first of July 1990. Potential protection was given up; a shock therapy was preferred;
- The breaking down of the former eastern European markets, because the economies of this countries were in the same crises of transformation;
- Unsecured property rights, strongly hampering investment;
- Preference of Western products by the East German consumers; also a breakdown of local production besides the products close to consumption;
- The labour costs in the 1990 were strongly running out of productivity and caused a prevailing cost squeeze.



Quellen: Statistisches Bundesamt, DIW.

Graph 2. GDP in the New Laender 1990 to 1998.

Source: [DIW, 1999, p. 421].

As a result of the German Monetary Union and the shock therapy in 1990, the East German Economy was sucked into a free fall. The GDP fell in 1990 more than 30 per cent, and again in 1991 more than 30 per cent, the manufacturing sector as the core of the crisis was dramatically reduced even the double percentage to the overall economic development. The New Laender had been on the way of total de-industrialisation (Compare graph 2).

Seeing these results, the German economic policies changed from a neo-liberal paradigm that implies an overall truth in the free market forces to a more Keynesian and bureaucratic strategy into the midst of 1991. The German government put massive financial means to the New Laender. Besides social and other expenditures, the regional policy instruments were activated and booted up. The German Common Support Task ("Gemeinschaftsaufgabe"), massive tax reduction on investments ("Investitionszulage"; "Sonderzulage"), and the support of innovations became the crucial pillars of boosting Aufbau Ost, accompanied and flanked by an active labour market policy.

The result was an – artificial – boom up to 1995–1996 in East Germany, that collapsed in the following years (see Graph 2), and lead to a growth development below West-Germany – not only in the second half of 1990s, but up till to now.

Here we do not have space and the time to show in detail that the German government activated all their potential to get a dynamic role in the eastern part of its country (Compare Annexe 1). All available instruments of regional economic and macroeconomic policies have been installed and set in motion. From all levels – national, European, Laender, regional, communal – 400 different support programmes and schemes were offered. – But these massive public investments and subsidizing of private investment as well as the labour market policy in general failed – failed to develop East Germany to an economical stable, self-supporting and global competitive part of the whole country. To be even more precise: East Germany was not able to emancipate from the dependence of West Germany's massive financial means to maintain its position and not lose more ground. What was thought of as a kick-off push, changed into a permanent support realizing that otherwise the disparities between East and West in Germany would be dramatic, and politically and socially hard to bear.

In the 2000s, the additional common progress records of the institutes analysed very convincingly that the potentials of support in East Germany have been exhausted: in the field of giving state aid on private investment, in the need of public finance of infrastructure, in active labour market policies, and, most importantly, in the field of innovation to foster productivity and growth in knowledge driven societies [DIW, 2003, pp. 741–755].

All in all, over more than twenty years, the genesis of Build-up East is probably and partly an example of a lot of expensive political mistakes and of a disregard of macroeconomic insights and of ignorance of common knowledge and experience in structural and regional economic policies. More than 20 years gave time to correct wrong single decisions. The conclusions that should be drawn are more general. It seems to be evident that the potentials of free market adaptation power on the one hand (in one and a half years) and the capabilities of a tough intervention policy on the other hand (in the last 20 years) had been hopelessly overestimated. Above all, Aufbau Ost shows the general limits of catching-up development policies. To master this Herculean task, the economy is in need of an overall very favourable global constellation of growth factors,[14] like the expanding development of a long wave. – With money you cannot get everything you want. – L'ignorance se juge. And can prove to be very costly.

5. Greece Again

Graph 3 shows that Greece (EL) has the highest public debt among the EU Member States – more than 160 per cent of the GDP in 2011. As discussed in the introduction, the overall debt increased dramatically after the last world economic crises from 113 billion in Euro 2008 to 162 billion in 2011, and much more than the average trend in the Eurozone. Together with Ireland and the UK, also the running deficit of Greece is in the most severe group, in spite of all cutting and austerity measures since 2010. The budget situation correlates with external economic imbalances, as Graph 5 indicates. In both aspects, Greece is in the worst position.

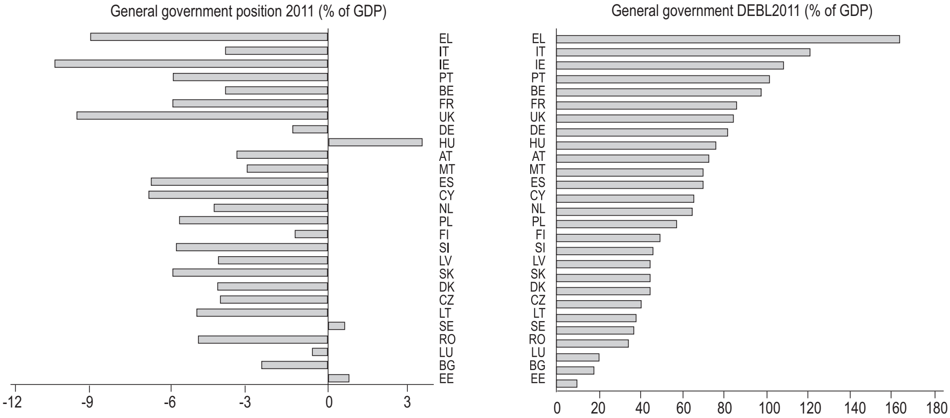
In the 2000s, the country's weaknesses had been compensated with artificial growth and a domestic demand boom due to the high budget deficits and high real wage increases that were beyond productivity [*European Commission*, 2010a, p. 3]. With the policies in the 2000s period, Greece was losing even more competitiveness. Looking at the competitiveness index, the European Commission has developed on a regional basis[15]. The country performs solely in the area around Athens on a European average level, taking a medium place (index group 50-60 per cent). All the other twelve country's areas reveal a very severe picture, situated in the last category (below 30 per cent)[16] [*European Union*, 2010, p. 69]. This corresponds with the distribution of income in Greece. Measured in purchasing power, also here Athens is dominating (115 026 units per head in 2009), followed with a very large distance by Thessaloniki (14 366), and Crete (14 308). Six out of 13

[14] This seemed to have been the case in the first two decades of Post-WWII development.

[15] Following the World Economic Institute, the European Commission applies the competitive index for its NUTS II regions (administrative Units, 13 in Greece, 40 in Germany, 16 in Poland). The index consists of 69 indicators organized into three groups. (1) Basic indicators in fields such as infrastructure, education, (2) efficiency indicators of the labour marked and of higher education etc., and (3) innovation indicators. These three groups are weighted differently in relation to the development stage of a country [See more details *European Union*, 2010, p. 68].

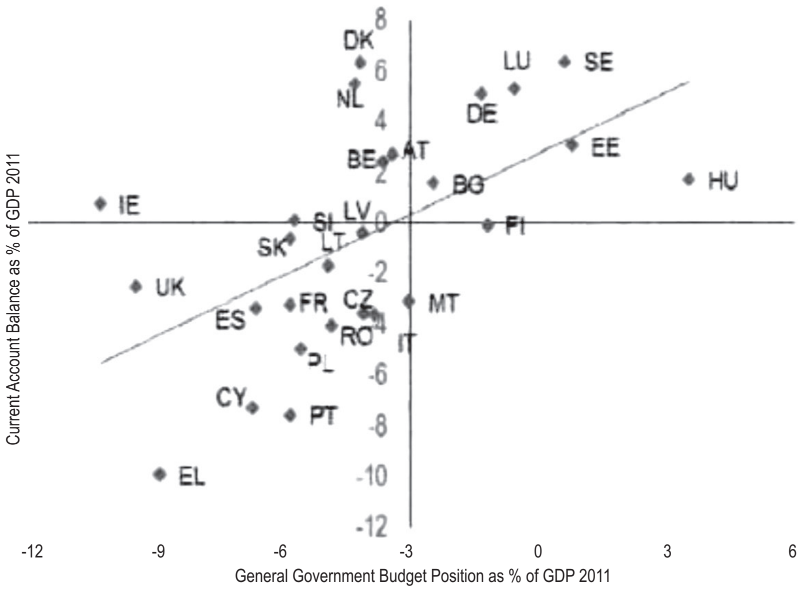
[16] For the whole country the world competitiveness report of the World Economic Forum ranks Greece on place 90 out of 142 investigated states. Georgia for example ranks on place 88, Egypt on 94 [WEF, 2011, p. 15].

regions are below 10 000 units per head. [*Eurostat*, 2010, p. 75]. More or less the same picture can be found in the indicators concerning Research and Development. With the exception of Athens and Crete all the areas are in the lowest category in the European comparison [*European Union,* 2010, p. 46].



Source: Commission Services

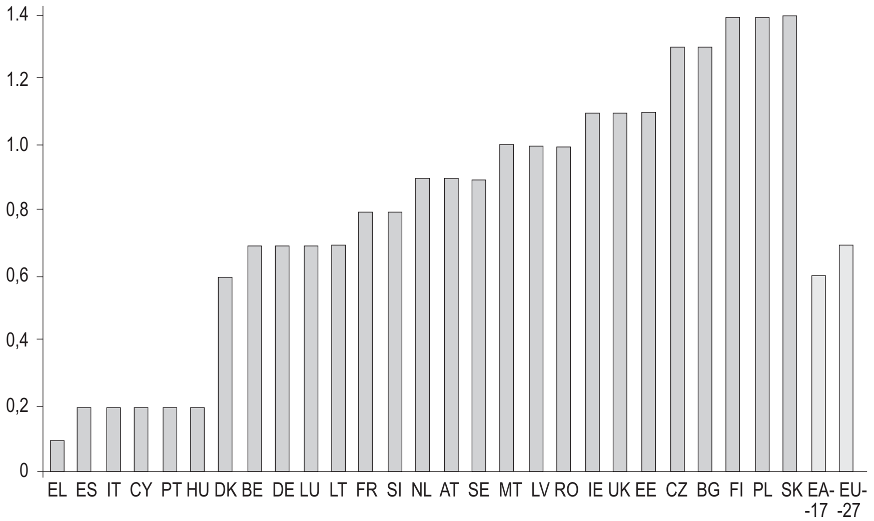
Graph 3. Government deficit and debt in 2011, EU Member States (per cent of GDP)
Source: [*European Commission*, 2011, p. 8].



Source: Commission Services

Graph 4. Fiscal and external imbalances, EU Member States.
Source: [*Ibid*., p. 10].

Looking at the official statistical expectations, also for the future the perspectives in particular concerning productivity are not in favour of Greece. The country is again scoring on the last rank in Europe (Compare graph 5).



Source: Commission Services, Economic Policy Committee

Graph 5. Productivity growth forecast 2010–2020 EU Member States, annual average

Source: [*Ibid*., p. 18].

Within the EU, Greece has the second worst corruption index after Bulgaria, ranking on the world scale in place 80 (Transparency International 2011). The public sector overall can be assessed as highly inefficient. Among other core problems, one is implementing the decided austerity measures of the EU-IMF adjustment programmes, in particular concerning tax collection. In the past, as a latecomer Greece got 2001 entrance into the Eurozone, and at that time and later on, fulfilled the stability criteria of the Union by manipulating statistics [*European Commission*, 2010c. p 3f].

All in all, Greece represents a *special type of crisis*. Strongly hit by the world slump 2008-9 as were some other weak states, external threats were mixed up with a domestic far-reaching unbalanced economy. Slack competitiveness and low productivity was and is going along with an inefficient state sector and as low as heterogeneous growth capacity, and huge disparities in the distribution of the moderate wealth. Obviously the budget deficits and the debt burden are pulling Greece down. But this indicates not only wrong political decisions in the past. Even more it is the consequence of too fragile economic structures in a global world, also for the possibilities to survive in the Eurozone.

The Greece situation differs sharply from the other crisis candidates. For example, in 2011, Ireland had a higher budget deficit than the Helenians (whereever a lower overall debt), but it has a profound competitive private industry and an excellent infrastructure. The country represents in principal *another type of crisis*, whenever rooted in the same historical development of the last global economic slump. As unsocial Ireland's EU-IMF adjustment programme of February 2001 may have been, the country is on track to consolidate and to serve its debt obligations [See SZ 2012-03-16, p. 19]. The Celtic Tiger seems to come back going on to penetrate primarily the EU with its aggressive low-tax-beggar-my-neighbour-policy – the key to its success in the past. The causes of the Irish crisis after the world slump have been its fragile banking situation as a result of its international engagement in the global financial markets and, at the same time, of its domestic estate bubbles. Ireland shows that a former absolutely wining country could be the victim of the financial and banking sector that was acting detached from real accumulation, and sui genesis is a potential factor of severe economic imbalances and crises. And Ireland shows at the same time that it has a real chance to survive in this situation, and to succeed in the future. Productivity and competitiveness might be the reasons…[17].

Exactly those are missing in Greece. The country is very attractive for tourism. This natural resource has been exploited for decades, and it has a positive elasticity of demand, which means, it is a future-oriented economic sector. But the competition situation is more than violent, not only in the Mediterranean area. Furthermore, the tourism sector has specific down- and upstream spreads to other economic branches, and has its features of season-restrictions and of not so many innovation implications. It cannot be found that Greece has used these natural advantages as an economic development driver for the whole country and its overall development. It seems to be more administrated and benevolently used. – The second prominent favourites of Greece are the maritime services. By a historical

[17] It would be interesting to contrast also the *different type of crisis* in Portugal. Portugal is more similar to Greece, but with a profile of lower debts and budget deficits and a state sector that is responsible for many wrong public investment, but seems not be so corrupted. Portugal is vulnerable because of its high shares of debt obligation to external international banks. The country tries to serve its debt obligations, but a second EU-IMF programme in 2003 is likely [See SZ 2012-03-16. p. 19]. In Italy the sovereign debt of 120 per cent of the GDP are obligations mainly to domestic creditors. The country passed a period of political stalemate under Berlusconi, has fundamental disparities between the North and the Mezzogiorno in the South, but is all in all competitive in its core economic structures. Since the first months of 2002 Italy has been on a trial of adaption. If this fails, it could be the end of the Eurozone [*Ibid*.]. Also Spain, with a population of a little bit less than the one of Italy, is a big player. The countries problem is not so much the level of its public debt but its speed of increasing, accompanied by high unemployment especially of the young people, and negative growth rates. The income and competitiveness situation of Spain is very heterogeneous. The banking sector is stable concerning its big companies, but very weak on the domestic level. Spain as well as Italy are the most severe problems in the thinking of contagion and of a domino effect [*Ibid*.]. There are other crises' candidates of different types. Belgian and Hungary are prominent examples and specific types. They cannot be discussed here.

incident, the country built up, out of the purchase of old US-American fleets after WWII, a worldwide leading position in this sector. So far, so good, but less potentials for future economic development can be expected. The maritime sector does not offer so many chances for innovation, backslashes and forward slash activities and economic development opportunities. – Additional potential growth drivers in the rest of Greece's economy and sectors cannot be found – not in further industrial products, food and tobacco processing, textiles, chemicals, metal products, mining and petroleum, that are Greece's main manufacturing branches.

In the last days and weeks, the American President became aware that for every economy there is a need for an intact, productive and competitive industrial sector as an essential and not deniable basis for a service and an information society. Besides, an efficient agricultural sector is a further pre-assumption, as an energy supply and support of primary resources. Accordingly, it should be allowed to remark, not single branches and sectors, but the coherence of a whole economy is relevant for success in future economic and societal development – even more in a knowledge and innovation driven global society. Maybe scholars will accept this assertion.

Assessing Greece in this light, its development chances are anything else than favourable. Compared with East-Germany (1) it is not transitional. Compared with the post-WWII European states Greece (2) it is not a matter of reconstruction. (Nobody can reconstruct what mainly does not exist.) Greece is more, and, in the core, a country lagging behind with severe home-made and global caused problems, and it is in the (3) need of catch-up development.

What is hidden to the researcher at this time is how the EU Member States and its authorities and think tanks will thoroughly discuss scenarios of Greece's future, their own positions, and the effects on European integration. The alternative is (1) to leave Greece alone or (2) to support it, whatever it will cost. Furthermore (3) the fears of damaging the European integration model and its success play a decisive role. But much more (4) contagion is the problem.

Whatever the outcome in the next months and years will be: all solutions for Greece are not favourable alternatives for this country.

Probably, the members of the European Union will follow the fear of contagion and of a domino effect. Maybe they will implement an investment-programme, and maybe they will call it eventually a Marshall-Plan or something. With about 11 million inhabitants, Greece is a small country that represents about two per cent of the EU population – like Bavaria in Germany, but about half of its economic outcome. As mentioned, contagion is the problem.

Scrutinizing the post-war situation in 1945 and later on, and taking into account the experience of Aufbau-Ost, such a Marshall Plan programme could be only adequate if it was done mainly for social and political reasons. The prospects to "save" the Greece economy and, in the medium and long run, even to make it world-wide competitive and to make it able for self-stable development – that is very heroic, whatever sums of money could be made available. Nobody can make a mountain out of a molehill. But miracles can happen again…

6. Europe – Quo Vadis?

The struggle for Greece is a struggle against contagion of its financial crisis. Moreover, it is a struggle for the future of European integration and its survival. In one or two decades, the European Union will fundamentally be another one because deep adaptation is required.

The EU roots go back to the foundation of the European Coal and Steel Community (ECSC) in Paris, April 1951, and to the erection of the European Economic Community (EEC / Treaty of Rome[18]) in Rome in March 1957. The Organizations merged under the roof of the European Community (EC) in February 1986[19]. In the process of integration, the treaties were underlying various metamorphoses, e.g. the Treaty of Maastricht in February 1992 (European Union/Monetary Union), or the Treaty of Amsterdam in October 1977 (Stability Agreement/Employment Guidelines). After the failure of creating a constitution in the first half of the 2000s, the last revision of the Treaties took place in Lisbon March 2007 and came into force at the end of 2009. Now the so called Lisbon Treaties have two legal strands: The Treaty on European Union (TEU) and the Treaty on the Functioning of the European Union (TFEU)[20].

As already mentioned above, the EU and its forrunners follow a functional integration approach. Market integration is the core of it. As Art. 3 of the TEU points out, the centerpieces of the EU are (1) a Customs Union and an Internal Market (Art. 3, 3.), (2) economic and social cohesion, and solidarity (art. 3, 4.), and since 1993 (3) a Monetary Union (art. 3, 5.) – at the moment in 17 Member States, including Greece. Whereas the Customs Union that implies free movement of goods within the Community had been the starting point of integration, increasing heterogeneity due to the so called Southern Enlargement(s) (Greece 1981, Portugal and Spain 1986) and even more the "Eastern" Enlargement 2004/07 of a further 12 members to now EU-27 have altogether fostered cohesion policy and solidarity. Besides the expenditure for agriculture, cohesion is the second prominent block in the EU budget with about 40 per cent of its financial resources. In the midst of the

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[18] Furthermore, the European Atomic Community EAC was founded in the context of The Treaty of Rome, in 1957, and came in force in 1958 at the same time as the European Economic Community.

[19] The ECSC phased out in 2002, as foreseen.

[20] Compare more in details annex 2. See also graph 2 and illustration 1 above.

1980s, the Customs Union has been enhanced to the Single Market that includes also the free movement of the economic factors and services (European Single Act 1986/7). Economic integration is incomplete if *different currencies* are hampering the common flows of commodities and services and factors. But a Monetary Union and a common currency could not be established in all Member States. Firstly twelve MS, now seventeen MS are participating in the strategy of variable geography. The same selective approach has been followed in the last few months to introduce a so called Fiscal Union – against the reluctance in particular of the UK and Sweden. Also further intentions to introduce tax and restrictions on financial transactions may be realized with different speeds of integration, if ever.

This integration model of the EU is not without tensions. Market integration needs a tough competition policy, and a common monetary policy requires fiscal discipline on the one hand. To soften the disparities within the Union and to achieve deeper integration in various political fields demands solidarity and comprehensive cohesion measures that can run in conflict with fiscal discipline and competition control on the other hand. In the last decades, these contradictions have been responsible for the hard struggles of decision making within the Union, leading often to very fragile compromises. As a rule, the expenditures for agriculture and cohesion (all together more than 80 per cent of the EU budget) have been the conciliation means to, more or less, bring the Member States into line with the progress of European integration, as mentioned in decisive fields only with selected approaches.

It can be expected that in the future the contradictions within the European Model will be even more severe. Increasing disparities of the past within the Union make it progressively difficult to finance political compromise, especially against the background of financial restrictions and fiscal discipline[21]. Furthermore, the Monetary Union is coming under hard pressure from the international finance markets, as Greece as well as Ireland and Portugal and other crises candidates demonstrate very impressively. It is not clear how austerity programmes and solidarity/cohesion will come in harmony and how a break-down of the Union can be avoided. Furthermore, the process of European integration is lacking potential drivers. In the past, the success of the Customs Union (earlier than expected in 1968 realized), the main achievements of the Single Market,[22] and the selected introduction of the Monetary Union gave the EU a momentum. But the Lisbon Strategy to make Europe the most successful dynamic, economic and knowledge driven society of the world, as Wim Kok diplomatically has already pointed out more in the mid-2000s, was a comprehensive flop [KOK, 2004, passim,

[21] Further integration and enlargement of bigger states such as Turkey in the future are out not very likely of these reasons.

[22] That is almost but not fully completed.

p. 6][23]. The new strategy Europe 2020 seems to be a mixture of lip service and despair[24].

Throughout integrated Europe, the situation looks like the one in Greece. Nobody can make a mountain out of a molehill.

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[23] Already at that time the EU was more away from its strategy than in the year 2000 the Lisbon objectives have been decided.

[24] Further alarming is the current monetary policy of the European Central Bank. Besides its hidden amount of default assets (500 billion Euro or even more?, nobody really knows!), pumping in last December and March two times respectively more than 500 billion Euro into the monetary circulation implies that the decision makers are standing with their backs against the wall. Inflation or tax rise, or a mixture of both, is the valve to compensate policies like these that are not in favour of future European integration. Money is not neutral, and the danger to produce imbalances and bubbles is obvious. In addition the massive interventions of the ECB – and the National Central Banks on its behalf – on the global capital markets is out of legislation, or to say illegal. Solely suggestions of German Central Bank's involvement in Greece's and other countries in financial crises through the total operations of target imbalances identify a volume of 300 billion Euros only in the first half of 2011 (Sinn 2011; Salmon 2011; Wolf, M). Article 123 (1) of the "Treaty on the Functioning of the EU" (TFEU) states: "Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (…) in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, **as shall the purchase directly from them by the European Central Bank or national central banks of debt instrument**" (bolds by the author).

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Appendix 1

Employed Regional Support Instruments in the "Build-up East"

The economic promotion and supporting system in the New Laender had and has particularly five priorities: promotion of investment, of startups, of small and medium enterprises, of innovation, and merchandising.

- **Capital assistance to companies**
  - (Lost) grants for investment:
    (Gemeinschaftsaufgabe, objecitve 1 programmes, suplementing Landesprogramme...)
  - Reduced Loans: (KfW, DtA, Bundes- and Landesprogramme für Existenzgründer etc.)

  - Tax reduction: Investitionszulage
  - Tax reduction: Sonderabschreibungen (up to 1997)

  - Guarantees (Bürgschaften)
  - Price reductions for sites (Treuhand)

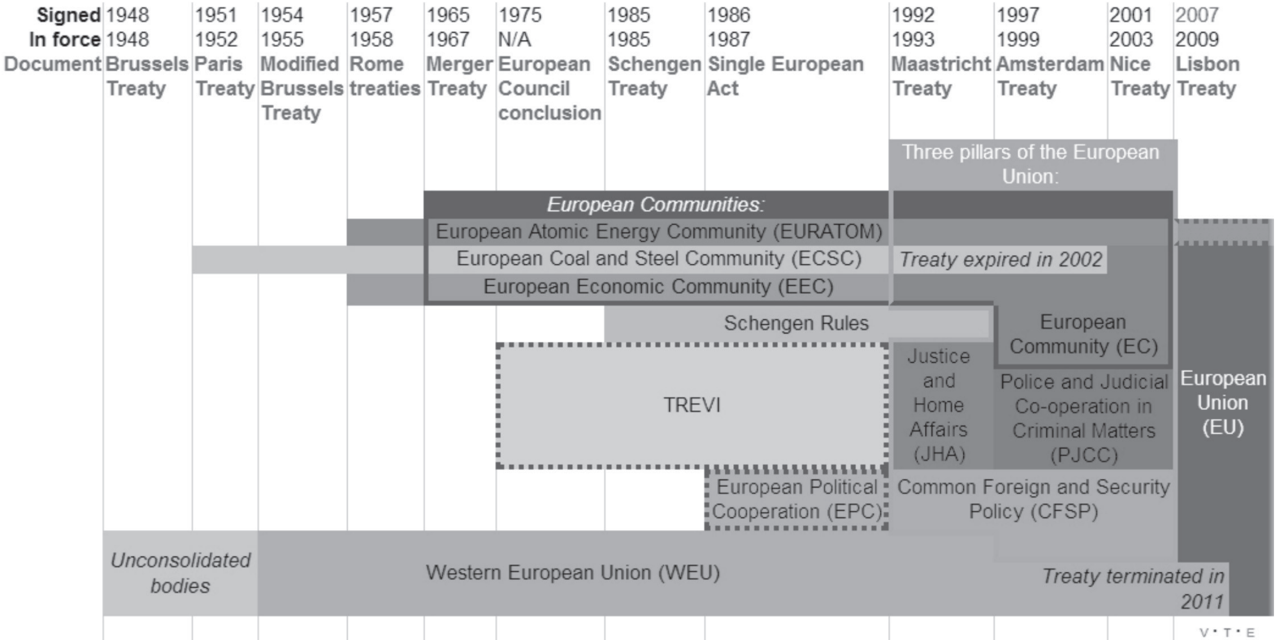
- **Non-Capital assistance to companies**
  - (Lost) grants for consulting
  - Qualification grants (including vocational training)
  - Grants for Wages.
  - Positive discrimination concerning public purchase orders
- Assistance for infrastructure close to business
  - (Lost) grants (Gemeinschaftsaufgabe, objecitve 1 programmes, suplementing Landesprogramme...)
    …concerning industrial sites, technology centres, logistic parks, consulting agencies, training centres…
- Active labour market policies
  - Employment agencies
  - Job promotion projects
  - Qualification agencies
  - Earlier Retirement

About 400 programmes and/or schemes of support: 109 Federal government, Bund, 85 EU, and about 200 Laender

Source: [DIW, 1999, p. 434; Compilation of the author].

Appendix 2

Development of the ECSC, EEC, EC, and EU Treaties



Source: http://en.wikipedia.org/wiki/History_of_the_European_Union (2012-03-20).