

Critical Juncture of Unification – Window of (missed) opportunity for the German Welfare State?¹

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1 Introduction

Germany has been categorized as a purely conservative welfare regime (Esping-Anderson, 1990). The two main indicators for conservative welfare states are the dominant role of social insurance as well as a “heavy reliance on the family and other communal groups to provide social services” (Bleses & Seeleib-Kaiser, 2004, p. 2). The underlying feature of both indicators is the principle of subsidiarity. This principle indicates that “the smallest viable entities of society are responsible for their members. [...] The role of the state is to protect these entities, and if necessary to provide the support for them to carry out their responsibilities” (Bleses & Seeleib-Kaiser, 2004, p. 2). This role is significantly different from the role of government in the other two major types of welfare states, social-democratic and liberal, as classified by Esping-Anderson (1990).

When Esping-Anderson wrote *The Three Worlds of Welfare Capitalism* in 1990, and defined the latter welfare states, Germany was still divided into a capitalistic western part and a communist eastern part. Whereas West Germany fit into the category of conservative welfare states, the east German states could be considered as “pure cases of the social-democratic regime [..., because] they were more or less free of liberal and conservative elements” (Andreß & Heien, 2001, p. 342). Because of these fundamental differences, German unification was challenging and can be considered as a critical juncture in German history (Marcussen, Risse, Engelmann-Martin, Knopf, & Roscher, 1999). Unification was also a moment of political opportunity, when significant change occurred that ultimately would have lasting political consequences (Hacker, 2002). It had tremendous effects on Germany’s role as an economic power in the world, which ultimately influenced the nation’s political system and created conflicts within the unified country (Wiesenthal, 2003; Bleses & Seeleib-Kaiser, 2004).

This analysis focuses on the role of free welfare associations (FWAs) in the unification process, which was mainly characterized as an institution transfer from the west to the east. FWAs are a major force in the German nonprofit sector and the main provider of social services and health care in the country (Zimmer, 1999). Moreover, they play a special role in the German welfare state under the principle of subsidiarity. This principle allows them to act on behalf of the government in the provision of social services and health care (Zimmer, et al., 2004). Incorporating FWAs in the process of institution transfer after unification was essential for the German government, due to the valuable political knowledge of East Germany that the FWAs held (Angerhausen, Backhaus-Maul, Offe, Olk, & Schiebel, 1998).

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This paper draws on the concepts of path dependency, critical juncture, and window of opportunity (Hacker, 2002; Ebbinghaus, 2005; Marcussen et al., 1999) and analyzes to what extent the process of German unification was a successful or a missed opportunity for the unified welfare state, with particular consideration to the role of FWAs.

2 Challenges of Unification

The unification process challenged the German welfare state. Within a few months a legal framework was created to facilitate the transition of a centralized, state-oriented system toward a democratic, market-oriented regime.

Unification also had a tremendous impact on individuals' lives although it had dramatically different effects for the east and west, on October 3rd, 1990 (Metzler, 2003). East German citizens expected a rapid adjustment of living conditions to the western standard. West Germans were euphoric and regarded unification as a hopeful and positive event in German history. Such positive aspirations, however, did not live up to the reality of unification. For example, after unification West Germans feared rising migration and competition with their fellow citizens from the east as well as the effects of a constantly increasing financial burden. These fears proved well-founded given the increase in social insurance contributions of dependent employees from about 18% to 21% between 1989 and 1999 (Simon, 2004).

On the other side of the former wall, East Germans' sense of belonging changed tremendously within only a couple of years of unification. Whereas 61% of East Germans considered themselves Germans rather than East Germans in 1990, this number fell to 35% only four years later. The major reason was a growing disappointment about the slow improvements of living conditions (Simon, 2004).

This fragile solidarity further worsened shortly after unification as a consequence of the collapse of the East German economy. Because of a breakdown of production, the East German economy was unable to keep up with West German prices of goods and services (Wiesenthal, 2003; Bryson, 1992). Whereas workers in East Germany basically were guaranteed a job prior to unification, unemployment rates in the East skyrocketed from zero to 20% in the mid-1990s (Bleses & Seeleib-Kaiser, 2004). Losing their job security caused tremendous dissatisfaction among East German workers (Casmir, 1995).

Even today, there are still major differences between the five new states (*Neue Bundesländer*) and the former western states. For instance, citizens living in the eastern part of Germany have a higher risk of poverty (14.7%) compared to citizens living in the west (13.2%) (Destatis, 2011b)². The picture worsens when considering levels of unemployment; in 2010, 6.6% of the population in the western states were unemployed, in comparison to 12% of those living in the eastern states (Destatis, 2011a)³. Given the persistent differences in unemployment rates between east and west, scholars speak of a co-existence of two distinct societies in one state (Roth, 2004).

² Risk of poverty is measured according to EU standard as the share of people with an income less than 60% of the median income of the population.

³ Unemployment levels in East Germany had been as high as 20 percent in 1996 (Wiesenthal, 2003).

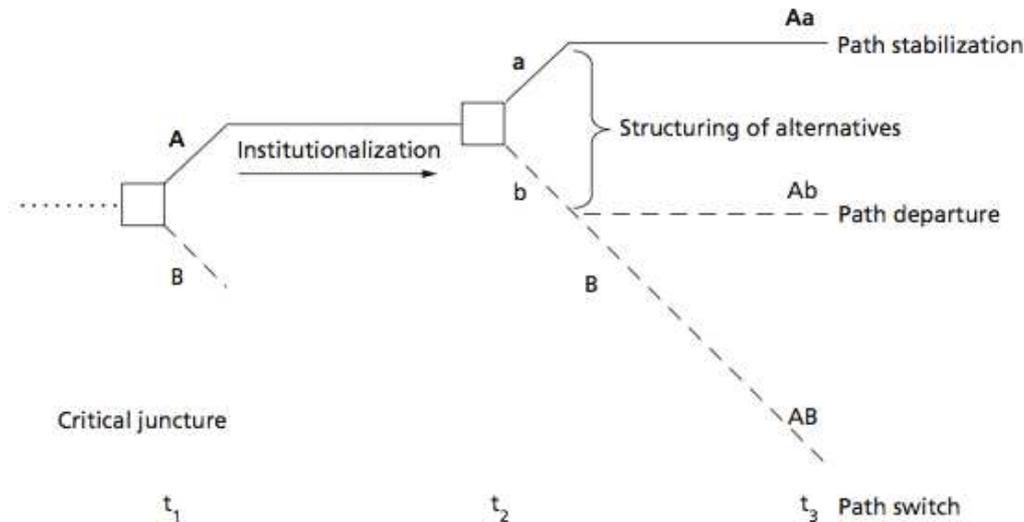
3 Critical Junctures, Windows of Opportunity, and Path Dependency

Critical junctures in social policy development are moments of political opportunity; they are periods when significant change occurs that could potentially have a long-term impact on society (Hacker, 2002). Marcussen and colleagues (1999) define critical junctures in a slightly negative, but more concrete way as “perceived crisis situations occurring from complete policy failures, but also triggered by external events” (p. 616).

In the presence of a critical juncture, the likelihood of a successful change is greatest. Hacker (2002) calls this a “window of opportunity” (p. 52), whereby these windows are often opened in situations of social crises (Ebbinghaus, 2005). Drawing on the historical analysis literature, past critical junctures most often lead to situations in which collective actors establish new rules and create new institutions (e.g., the end of the Cold War in the late 1980s) (Marcussen et al., 1999). Those newly created institutions then receive positive feedback, due to the pressing need for change. Simultaneously, this feedback positively influences societal acceptance and provides legitimacy (Ebbinghaus, 2005).

The concepts of critical juncture and window of opportunity are closely related and encompassed by the concept of path dependency. Path dependency is defined as “a sequence of events [where] the latter decisions are not (entirely) independent from those that occurred in the past” (Ebbinghaus, 2005, p. 5). Earlier decisions in a sense restrict later alternatives (Rokkan, 1999), as shown in table 1.

Table 1. Branching pathways in path dependency



Source: Ebbinghaus, 2005, p. 16.

Timing and sequence of events are particularly important in path dependency theory. Ebbinghaus (2005) refers to three possibilities after a path has been chosen: path stabilization, path departure, and path switching. Path stabilization allows only for marginal adaptations due to changes in the environment but without major changes in the underlying principles. Path departure is defined as having a narrow and not fully pre-determined path within the chosen path, meaning that it can lead to either long-term gradual changes, functional transformations, or to institutional layering (e.g., addition of new institutional arrangements). The third option, path switching, is a radical transformation, but the least likely to occur. The direction that a path will take is most often based on political conflicts and power relations at times when the window of opportunity is open (Ebbinghaus, 2005). Often, “nation state identities are likely to be challenged under such circumstances” (Marcussen et al., 1999, p. 616).

Ebbinghaus (2005) looks at the path dependent sequence from a standpoint of institutional theory indicating that institutions, once established, are taken for granted and are not easily changeable. A more positive interpretation of path dependency is that those institutions can, through their stability and longevity, reduce uncertainty and regulate social interaction (Ebbinghaus, 2005).

It is often impossible to predict a critical juncture, but retrospective analysis provides indicators that are associated with critical junctures as well as factors that contributed to the emergence of new institutions (Marcussen et al., 1999). In the following analysis, I will draw on the above concepts while focusing on the aftermath of the unification process in Germany and the implementation of a conservative welfare state approach under the principle of subsidiarity in the former German Democratic Republic (GDR). I will particularly focus on FWAs due to their special role in social welfare provision in Germany as explained in the next section.

4 Free Welfare Associations in Germany

Free welfare associations are the main provider of social services and health care in Germany and represent the largest and “most powerful share of the German nonprofit-sector” (Zimmer, 2000, p.102). In 2008, their combined workforce accounted for at least 80% of the whole nonprofit workforce, with about 1.5 million paid employees (of which approximately 54% are employed part-time); employees of FWAs account for almost four percent of the overall German labor force (BAGFW e.V., 2008). Their services include day care centers, youth welfare services, health services, unemployment consulting, assistance to immigrants and refugees as well as training and educational programs (Zimmer & Toepler, 2000). FWAs are organized in six centralized peak associations of free welfare work (*Spitzenverbände der freien Wohlfahrtspflege*) (Zimmer & Toepler, 2000). These six entities serve as umbrella organizations for their members, and are either religiously affiliated (Caritas - Catholic, Diakonie - Protestant, Jewish Welfare), politically affiliated (Worker Welfare – social democratic), affiliated with the Red Cross, or non-partisan (The Parity) (Vilain, 2002; Zimmer & Toepler, 2000). Peak associations hence form the “nodes of the policy network that characterize the neo-corporatist way of policy-making and implementation in Germany, whereby state, private interests, and public administration are linked at various, overlapping levels” (Katzenstein, 1987, p. 35).

The main characteristic of FWAs is their partnership-based cooperation with the state and communal authorities under the principle of subsidiarity (Zimmer, et al., 2004). This principle implies that FWAs and affiliated organizations get preference in funding over other nonprofit, public, or for-profit providers when contracting for social services (Anheier, et al., 2007; Priller, et al., 2000; Zimmer, et al., 2004). This concession was incorporated in the German social welfare laws in the 1960s (Zimmer, et al., 2004). Granting these preferences under the principle of subsidiarity led to the development of FWAs as the dominant player in the German nonprofit sector (Zimmer, 1999).

Over time, FWAs became more and more an integral part of the public administration of social welfare. Their integration into public administration, however, led to a widening disconnect between FWAs and their local constituents during the 1980s (Zimmer, 1999), which ultimately led to a “nationalization of the welfare association through corporatism” (Toens, 2008, p. 106). In the mid-1990s, due to a fiscal crisis and the movement toward European integration, the German government cut back on funding for FWAs and opened up the provision of social services and health care to other providers; this weakened the principle of subsidiarity (Priller et al., 2000). All nonprofit, for-profit, and public organizations were then and still are eligible to compete for public funding (Zimmer & Toepler, 2000). Caused by the shift toward fiscal austerity, the relative stable relationship between the state and FWAs became increasingly unstable (Toens, 2008). Consequently, FWAs had to adapt their management and funding strategies which led to tremendous organizational changes (Zimmer, et al., 2004; Vilain, 2002).

5 Institution Transfer and the Role of FWAs after German Unification

It is crucial to understand that the five new *Bundesländer* acceded to established West German policies as part of the unification process. Federalism and the principle of subsidiarity were the two main components of the Unification Treaty, which were subsequently implemented after the Treaty had been signed. There was a clear intention to expand the existing nonprofit sector in the west that operated under the principle of subsidiarity into the new states. In fact, the role of FWAs was explicitly incorporated in the Unification Treaty (Article 32):

The Free Welfare and Youth Associations, through their institutions and services, make an indispensable contribution to the principles of the social state [*Sozialstaatlichkeit*] envisioned in the Constitution. The establishment and expansion of the Free Welfare Associations ... will be supported in the context of the constitutional responsibilities (Unification Treaty, cited and translated by Anheier & Priller, 1991, pp. 90-91).

5.1 The East German Nonprofit Sector

Given the emphasis on the role of FWAs, it was regarded as highly unlikely that an individual East German nonprofit sector would emerge (Anheier & Priller, 1991). However, it would be wrong to say that no associational life existed in East Germany prior to unification. Various scholars point to the so-called ‘mass organizations’, which were heavily controlled by the communist government (Anheier & Seibel, 2001; Olk, 1996; Boëbenecker, 1996). Mass organizations were established primarily to implement governmental decisions into society and, to a lesser extent, to represent the interests of societal groups against the state (Angerhausen et al., 1998)⁴. However, private associations and intermediaries as FWAs or other nonprofit organizations were widely missing. Although according to the constitution citizens in the GDR had the legal right to form associations, the state held the monopoly in approving private associations (Metzler, 2003). Consequently, the state issued special laws that prohibited the full implementation of those initially granted legal rights. The creation of new associations without governmental approval became legal only in February 1990 (Anheier & Priller, 1991).

Church-affiliated organizations were an exception. They were widely independent from and tolerated by the state and the party. The churches lost political influence in a wide area of activities since the establishment of the GDR; consequently, the shares of church members decreased over the years (from 80% to 11% for the Protestant and from 11% to 6% of the Catholic church; Winkler, 1990). Churches were most active in health, elderly, and disability care; these were areas that were controversial and stigmatized (Angerhausen et al., 1998; Bütow & Maurer, 2004). However, their overall importance in the provision of social services was small; while the state provided 87% of all elder care facilities, Diakonie and Caritas combined were responsible for only 13% (Kohnert, 1990). Religiously-affiliated organizations were highly distinct from governmental or quasi-governmental organizations in regard to their orientation on professional standards in comparison with similar organizations in the west (Angerhausen et al., 1998).

5.2 Centralized and decentralized Institution Transfer

In order to assure the provision of welfare services, it was critical to reverse the centralized approach prevalent in the GDR, which essentially contradicted the principle of subsidiarity. After unification, new laws transferred the special role of FWAs to the new *Bundesländer* (Metzler, 2003). The German government intentionally incorporated FWAs in the process of institution transfer, due to their political valuable knowledge of, and partial presence in, East

⁴ The German Red Cross (DRK) and the Volkssolidarität (VS), two former mass organizations, whose legitimacy was highly questioned shortly after unification, managed the transition into a unified Germany. The DRK merged with the West-German parallel organization and this merger provided the organization with the capacity to coordinate the emergency aid starting from 1989. The VS, however, had no such support in the west. It was later incorporated in The Parity, the non-partisan peak associations of free welfare work (Angerhausen et al., 1998).

Germany. In addition, religious West German associations had long-lasting exchange relationships with their sister church organizations in the GDR (Angerhausen et al., 1998).

FWAs were aware of the already existing structures and culture of social service provision in East Germany and hence in favor of an equal German-German transformation process. However, their idea was not feasible given the timely decision making necessities of the German government during this exceptional period (Bütow & Maurer, 2004). Consequently, child welfare organizations developed a pragmatic approach focusing on damage limitation after unification (Bütow & Maurer, 2004).

Regardless of the fact that FWAs would have preferred an equal German-German transformation process, they were highly interested in cooperating with the government, because it promised to strengthen their status in the provision of social services (Zimmer et al., 2004). However, prior to unification, FWAs themselves were increasingly criticized for their bureaucratic structure. Roth (2004) argues that they faced growing pressure to reform internal structures and emerging criticism that demanded more effective and efficient management strategies. Against this background, FWAs enthusiastically welcomed the strengthening of their political role, the security and expansion of their realms, and a respective increase of public resources (Angerhausen et al., 1998). Bütow and Maurer (2004) point out critically that the quality of the system of social service and health care provision was not questioned at all, which ultimately resulted in the implementation of existing system errors inherent in the original FWA structure.

The asymmetrical power and differing political interests of both German states are often mentioned as reasons for the institution transfer of the structural principles and competencies to the east (Boeßenecker, 1996). Interestingly, East German citizens did not oppose the transfer of the existing system of social welfare provision. Referring back to critical junctures, this may be explained by the prevalent need for changes and for new initiatives in the former communist states (Marcussen, et al., 1999). Another explanation may be that unification with West Germany was regarded as a privilege, given their strong economic role within Europe and the world (Roth, 2004). FWAs, in particular, had a good reputation and were able to draw on their traditions and expertise in social service provision (Angerhausen et al., 1998).

In transferring the established system of political, economic, and social service institutions to the new *Bundesländer*, the German government sacrificed other possibilities. Alternatives to a centralized institution transfer would have been an equitable constitution process between East and West Germany or a slow reformation with an emphasis on the participation of East German constituents. Choosing a mere transfer, however, influenced the self-conception of both parts: the new *Bundesländer* seemed to react passively to what the “big brother” (Roth, 2004, p. 172) in the West was suggesting; the experiences and cultural backgrounds in the former GDR were not considered. The chosen path was dominated by a passive renunciation of participation. Consequently, when negative developments occurred, it was easy for East Germans to blame the West. Roth considers this eastern subalternity combined with western arrogance as “accession mortgage” (Roth, 2004, p. 172).

Angerhausen and colleagues (2004) in their research confirm that the prevalent approach after unification was a centralized, top-down institution transfer as discussed above. However, they also bring in a different perspective and discuss another—more decentralized—institution transfer that started from the bottom-up through the participation of East German actors with slight delays in time. The interaction between these two approaches, according to

Angerhausen and collaborators (2004), prevented the establishment of mere duplicates of West German organizations and, to some extent, facilitated an adaptation to local needs. A decentralized approach, however, was regarded as essential, given the political nature of the institutions that were supposed to be transferred. Political institutions are not only based on formal definitions, but also on informal networks and shared identities and value systems (Angerhausen et al., 1998).

5.3 Consequences for FWAs

One aim of transferring the existing system to the East was to end the monopoly of former mass organizations and to implement a more pluralistic structure of social service provision (Angerhausen et al., 1998). The German government provided seed money and earmarked funds to build up the system of social service provision (Priller et al., 2000). A significant amount of public money, particularly in the fields of health and social services, had been transferred to nonprofit organizations for building infrastructure and for providing services in the new *Bundesländer* (Anheier, Priller, & Zimmer, 2000)⁵. To qualify for these funds, organizations had to be affiliated with one of the six peak associations of free welfare work; smaller independent organizations only rarely received funds (Angerhausen et al., 1998). In addition to financial contributions from the central government, the East German state governments and local administrations provided support (Angerhausen et al., 1998).

Compared to other post-communist countries, the institution transfer approach of the social welfare system seems to have been successful (Zimmer, 1999). An indicator for this success is the boom in the number of newly established nonprofit organizations. Besides the establishment of FWAs, people increasingly founded registered voluntary associations (*eingetragene Vereine*), to take advantage of the opportunity of self-organization and civic engagement, (Zimmer, 1999).

Given the communist nature of the GDR, however, citizens living in the eastern parts of Germany had not much experience in self-organization and volunteering. Therefore, FWAs could significantly expand their business activities and, in a sense, took advantage of the unification process. This implicit strategy is often referred to as “peaceful colonization for political and financial reasons in order to smooth the integration of the new *Länder* into the Federal Republic” (Anheier, Priller, & Zimmer, 2000, p. 2). FWAs managed to sustainably manifest their role in social service provision in the German welfare state and simultaneously were able to avoid discussions about potential necessary changes within their organizational structures (Angerhausen et al., 1998). As discussed earlier, even prior to unification, FWAs have been criticized for their bureaucratic structure. For instance, human resource management strategies in FWAs seemed to be relying on ad hoc measures that proved widely inefficient (Walk, Schinnenburg, Handy, in press). Although FWAs changed some of their management approaches after changes in funding occurred, these measures were not adapted to the needs of the employees (Neumann, 2004; Vilain, 2002), leading to dissatisfaction especially among the younger workforce (Walk, Handy, & Schinnenburg, 2013).

⁵ Due to the immediate financial needs of German unification the German budget deficit significantly increased. It grew from 19.2 billion German marks in 1989 to 46.7 billion in 1990 and continued to rise to 52 billion in 1991 (Bleses & Seeleib-Kaiser, 2004). When balancing the costs of unification it is, however, most often overlooked that the German state earns about 300 million Euros in earned-income tax and administrative duties since 1990 (Simon, 2004).

The nonprofit sector boomed after the institution transfer took effect. In 1989, peak associations of free welfare work started with the (re-)development of their respective parallel organizations in the east through counseling, trainings for the East-German managerial staff, and through sending their own management and leadership personnel to staff organizations in former East German states (Angerhausen et al., 1998). After moderate increases in the 1960s and 1970s, unification and subsequent expansion led to a further increase in FWAs overall workforce (Boeßenecker, 1996). In 1994, the number of employees in FWAs was almost 13 times as high as in 1960 (Boeßenecker, 2005). Employment levels in the newly established FWAs rose steadily from about 1.4% in 1990 to 4.9% of the total workforce in 1995, significantly higher than in other previously communist countries such as the Czech Republic (2.8%) and Romania (0.3%) (Anheier & Seibel, 2001).

The continued quasi-monopoly of FWAs in the provision of social services and health care was only weakened in the mid-1990s when the German government decided to cut back on public funding due to the pressing fiscal crisis of the German welfare state (Wiesenthal, 2003; Zimmer & Toepler, 2000; Zimmer, et al., 2004). The fiscal crisis was partly triggered by the financial strains that followed unification, but cannot be fully attributed to the unification process. Due to financial constraints, the German government opened up the market of social service and health care provision to other providers and, thus, weakened the dominant principle of subsidiarity. Consequently, FWAs were faced by marketplace risks, which were previously not encountered (Marcus, 2008).

5.4 Criticism of Institution Transfer

While many political actors intended to link the process of unification with the initiation of institutional reforms it proved difficult to do so in reality. Wiesenthal (2003) argues that during unification well-functioning institutions in the west were forced on a social and economic fabric in the east that fell short of the organizational requirements to benefit from them. Consequently, the institution transfer exacerbated the crisis of the German model in the unified country (Wiesenthal, 2003). Leaders across different parties, who were against the mere transfer of well-known shortcomings in the system of the Federal Republic to the new *Bundesländer*, were confronted with and ultimately silenced through high outside pressure. Pro-institutional and pro-system transfer politicians favored the "pragmatic approach" (Boeßenecker, 2005, p. 11) of institution transfer, arguing that a reconstruction of the Federal Republic would have required something entirely new. Particularly the federal government at that time, led by a coalition between the Christian Democratic Union (CDU) and the Free Democratic Party (FDP), completely opposed radical changes of any kind (Czada, 1995).

Although FWAs were highly successful in lobbying for the expansion into the new eastern states, they have subsequently been heavily criticized (Wiesenthal, 2003; Olk, 1996). For instance, critics of the incorporation of FWAs special role in the social welfare laws as well as the continuation of their special status in the Unification Treaty regard this process as "constitutional beatification" (Boeßenecker, 2005, p. 270). Other scholars argue that FWAs were only able to pursue the expansion successfully because huge amounts of public funds were made available to them (Olk, 1996; Wiesenthal, 2003). Moreover, Anheier and

colleagues (2000) point out that the new *Länder* see FWAs as public or quasi-public institutions and not as independent nonprofit organizations⁶.

Taking the importance of religion and faith-based organizations into account, the institution transfer approach is particularly interesting. The two biggest umbrella organizations of free welfare work – Diakonie and Caritas – are affiliated with the Protestant and the Catholic Church, respectively. However, East Germany was one of the most secular countries in the world, where only 30% of the citizens were church members. In comparison, about 80% of the population belongs to either the Protestant or the Catholic Church in West Germany (Anheier, Priller, & Zimmer, 2000; Zimmer, et al., 2004). Therefore, critics of the institution transfer regard activities done by FWAs as re-Christianization of a secular society (Anheier, Priller, & Zimmer, 2000). Ultimately, Diakonie and Caritas became the two most important providers of social services in East Germany. Following the path of institution transfer, the East German nonprofit sector is often critiqued as being the sole creation of the West German political elite and is not regarded as a vital part of civil society (Anheier, Priller, & Zimmer, 2000).

6 Discussion and Conclusion

As Hacker (2002) argues, “even seemingly trivial events may have dramatic long-term economic consequences when certain self-reinforcing mechanisms - large set-up or fixed costs, learning effects, coordination effects, adaptive expectations – are present” (p. 53). Against this background, it can be argued that East Germany highly benefited from the already proven and to a wide extent effective West-German institutional system. Nothing had to be invented from scratch (Wiesenthal, 2003; Angerhausen et al., 1998). But on the other hand one might ask: Was the chosen solution the best available in light of the circumstances?

One could argue that the German government, when making the decision to transfer its welfare system to the new *Bundesländer*, could not foresee the long-term consequences (e.g., fiscal crisis, rising unemployment, plummeting production in the east). Critical junctures, while providing the opportunity for large-scale change (window of opportunity) on the one hand are, on the other hand, restricted by the notion of path dependency. Path dependent processes are often characterized by self-reinforcement, where the cost of reversing a chosen path of institutional or policy development increases over time (Hacker, 2002). Hence, it is extremely difficult to reverse those past decisions.

In hindsight, it is possible to determine that the decision for transferring institutions from the west to the East German states followed the regularity of path dependency. It is, however, still open to question if the window of opportunity that opened in November 1989 and closed in October 1990 could have been used differently by the German government. A path switch is only likely to occur, if the loss of efficiency is estimated to be higher than the costs of creating new institutions (Weinter, 1997). Given the turbulent times during the unification process, the costs of developing a nonprofit sector from scratch were clearly estimated to be higher and more complicated compared to the transfer of familiar institutions. Clearly, the decisions made shortly after the fall of the Berlin Wall in 1989 affected and restricted later alternatives (Rokkan, 1999). Once the approach of institution transfer was chosen, it was and

⁶ The last fact is also regarded as a reason for the difficulties in attracting volunteers or private giving in East Germany (Priller, et al., 2000).

still is difficult to reverse or alter this decision (Ebbinghaus, 2005). Overall, criticism of the process indicates that the chosen approach was not perfect, but given the unexpected situation in the midst of the events in 1989, it was a valid (and maybe the most obvious in terms of practicality) approach to pursue.

Drawing on Ebbinghaus' options (see table 1), it could be argued that these changes could also be conceptualized as a path switch of the system, since they heavily influenced the provision of social services and health care in Germany. If this was in fact the case, future research is needed to examine this process in more depth.

Overall, it is clear that the transfer of institutions to the new *Länder* without adapting them to the needs of local constituents also transferred the existing shortcomings of these institutions. As a result, the necessary changes in the management and funding of FWAs are much more difficult to implement today than prior to unification (Wiesenthal, 2003).

Czada (1995) argues that prior to unification the Federal Republic was characterized by its predictability and stability. Given the effects of the unexpected events of the late 1980s, the German state was challenged by instability and decreasing calculability. Czada (1995), adroitly concludes:

What we see in front of us is the slow and delayed adaption to new challenges. [...] The hidden path in a new German Republic builds on the development path of the old Federal Republic, but does not continue it straightforward. And this seems to be unstoppable (p. 214, own translation).

This paper has discussed unification as a critical juncture in German history and critically explored the chosen path of institution transfer of the social services and health care system from West Germany to the new East German states. The focus of the paper was limited to the decade of the 1990s, the period directly following unification. Future research might extend this analysis by looking at an expanded period. For instance, it would be worthwhile to investigate the implications of the recent financial crisis for FWAs in the unified nonprofit sector. Such research could provide additional insights on the institution transfer that happened after unification, when policy decisions established FWAs as major players in German social services and health care.

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