

Schriften zu Regional- und Verkehrsproblemen
in Industrie- und Entwicklungsländern

Band 56

**Adjustments of
Economics and Enterprises
in a Changing World**

edited by

**Takashi Matsugi
Alois Oberhauser**



Duncker & Humblot · Berlin

TAKASHI MATSUGI and ALOIS OBERHAUSER (Eds.)

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Herausgegeben von J. Heinz Müller † und Theodor Dams

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Die Deutsche Bibliothek – CIP-Einheitsaufnahme

Adjustments of economics and enterprises in a changing world /
ed. by Takashi Matsugi ; Alois Oberhauser. – Berlin : Duncker
und Humblot, 1993

(Schriften zu Regional- und Verkehrsproblemen in Industrie- und
Entwicklungsländern ; Bd. 56)

ISBN 3-428-07658-3

NE: Matsugi, Takashi [Hrsg.]; GT

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Fotoprint: Werner Hildebrand, Berlin 65

Printed in Germany

ISSN 0582-0170

ISBN 3-428-07658-3

Editors' Foreword

The editors are pleased to present this publication which contains the papers of the 13th Joint Seminar. This is the result of successful cooperation between the Faculties of Economics of the University of Nagoya and the Albert-Ludwigs-Universität in Freiburg.

The meeting that was attended by faculty members from both Universities took place at Nagoya/Japan in 1991, a period during which there was rapid change in the political framework of Europe: It was characterized by the Unification of Germany in the context of European Integration and the new political orientation of East European Countries.

The German authors presented applicable information to their Japanese colleagues about the economic concepts of the European Integration and the process of transformation in East Germany.

Furthermore, the Japanese and German economies are challenged by a turbulent world economy which is linked to a rapid change in public and private organizations. In this context Japanese and German experts have presented papers dealing with new theoretical foundations and empirical facts which could be helpful for more efficient decision making on the micro-economic level.

Taking into account the wide range of topics discussed at the 13th Joint Seminar we are publishing some interesting contributions under the heading: "Adjustments of Economies and Enterprises in a Changing World".

The Faculty of Economics is dedicating this publication to the president and rector of the University of Nagoya, Mr. Hayakawa, who died in Spring 1992. He was an ardent supporter in favour of cooperation between the University of Nagoya and the Albert-Ludwigs-Universität in Freiburg.

On behalf of the Faculty of Economics the editors wish to thank the Ministerium für Bildung und Wissenschaft of the Landesregierung Baden-Württemberg for the financial support of the Nagoya meeting, as well as the

Rektorat and the Akademisches Auslandsamt of the Albert-Ludwigs-Universität for substantial aid. Furthermore we have to express sincere thanks to the Wissenschaftliche Gesellschaft of the Albert-Ludwigs-Universität for financing the printing of this publication.

Freiburg, October 1992

Theodor Dams J.H. Müller †

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Unification of Germany in the Context of European Integration and Current Issues of East European Countries: A Comparative Economic System's Perspective¹

Theodor Dams

"The historical German event..."

Since October 3rd, 1990, the two parts of Germany - the Federal Republic of Germany and the German Democratic Republic - are unified. This unification process has been based on Article 23 of the FRG's Constitution and has not followed Article 146: The German Democratic Republic as a political unit has presented the application to be integrated into the Federal Republic of Germany (according to the legal foundation of the FRG's Constitution). With the necessary two thirds of votes, the two Parliaments (FRG and GDR) have accepted the "Einigungsvertrag" (Treaty of Unification); the German Democratic Republic disappeared as a political institution (State)! - on October 4th, 1990, the Parliament of the unified Germany (a certain number of members of GDR-Parliament, for the first time freely elected on March 18th, 1990, joined the Deutsche Bundestag) has been assembled for the first session at the "Berliner Reichstag". Two months later (2nd Dec. 1990), the first election was organized to establish the Deutsche Bundestag covering the political competences for unified Germany. Since the beginning of December 1990, the unified Germany (FRG) has *one* single Parliament whose members have been elected by the population as a whole.

This "pure" timetable enumerating some historical days has an important political dimension: in the span of *one* year (the Berlin Wall was broken through on November 9th, 1989) the GDR - established 45 years ago - with

¹ Die Einigung Deutschlands im Rahmen der Europäischen Integration und im Zusammenhang der Entwicklung in osteuropäischen Ländern: Aus der Sicht eines Vergleichs von Wirtschaftssystemen.

state property of production means, a centrally planned economy and the dictatorship of the Communist party (SED plus Bloc Parties) has been swept away by a democracy based on freely articulated political will of the inhabitants and on the basic principles of a market economy.

The analysis of this historical process of political change in a very short period confirms the main principle of the so-called "Freiburger Schule" (W. Eucken a.o.), which developed the elements for the basic foundations of the FRG's economic order: the interdependency between the political, social and economic systems which have to be integrated into *one* order as a whole!

This concept of *one* integrated political, social and economic order should lead to the critical reflection that the element "Economic Order" and the "market as an institution with invisible hands" cannot solve all the economic and social problems which are closely linked with structural adjustments in a growing economy. Political decisions have to take care of the macro-economic frame and of influencing the economic process in order to reach the overall formulated aims and norms of the society.

This *general* "confession" has, especially, to consider the economic impact and repercussions which have been caused by German Unification, economically introduced July 1st, 1990. - This problem will be the main focus of this paper taking into account the European Integration and cooperation with East Europe.

International political unification in a changing framework of foreign policy decisions

The rising up of the people at Leipzig (October and November 1991)² - the known world-wide as the Monday demonstrations - and, shortly before, the opening of the Hungarian-Austrian border were the mile-stones of surmounting the Berlin Wall and of overcoming the separation of Germany: the peaceful movement of the people ("We are the people!") has put an end - step by step and as an accelerating force - to the Communist system of a central planned economy and of the party's dictatorship.

Whatever may be said about the strength of this "movement from the grassroots", we should not overlook the fact that the process of the political and economic unification was closely linked with *one* precondition of foreign

² 02.10.89 : 15000 people; 09.10.89 : 50000; 16.10.89 : 15000; 23.10.89 : 200000 (the first Monday after Honecker's regime collapse); 06.11.89 : 500000 people.

policy: the consent having been obtained of the Soviet-Union! February 5th, 1990, Mr. Gorbachev prevailed upon the Central Committee to implement the radical political and economic reforms, including abandoning the monopoly of the communist party. The Treaty of Warsaw decided June 7th, 1990, to deeply change the agreement of cooperation amongst East European Countries. July 16th, 1990, the Soviet-Union agreed to offer the future unified Germany the full authority of deciding the question of supranational alliance.

These decisions move along with two events: (1) Political and economic changes in East European Countries (however with different concepts and results); e.g. September 24th, 1990, the Soviet Union decided the introduction and implementation of a market economy. (2) USA and USSR agreed upon armaments control and trade agreements. (3) Altogether, the East-West-tensions have been sharply decreased. The "Two-Plus-Four-Negotiations" (USA, USSR, Great Britain, France and the two German States) have been successfully finalized (12th Sep. 90). - The results of the CSCE-(KSZE-) Conference were a solid basis international acceptance of German Unification.

Last but not least, we have to take into account that the German Unification has to be considered in the close relationship with the European Community's integration process. This concept to put together "German Unification" and "European Integration" has reduced the potential constraints against a unified Germany, which could have more political and economic influence than before. Therefore, the declaration of the FRG's Government had a positive impact of combining the unification process with a transfer of political and economic competences in favour of the EC as soon as possible. This clear cut German political decision has lead to a positive response effect of Community institutions: "The Unification of Germany is not only a challenge, but a chance for the Community as a whole, too. This process will increase the potentiality of investments, economic growth, trade relations and of contacts on all levels" (EC-Bulletin, 4/90, p.9). - The notion "all levels" should include the international economic relations (see: interruption of GATT-negotiations at Brussels 7th Dec., 1990; the solidarity of FRG and EC with countries of the Third World).

What is the reason for presenting this selective enumeration of political facts covering a span of one year? The answer is the following:

(1) The radical changes of the *economic* systems have to be considered - based on the principle of the interdependency of the different elements of an order - in relation to the *political* development.