

# Are the supporters of socialism the losers of capitalism?

*Does a country's democratisation have a long-lasting impact on former supporters or opponents of the bygone regime? Previous studies have been inconclusive. **Max Deter** and **Martin Lange** analyse how former supporters and opponents of the socialist German Democratic Republic (GDR) performed within the market-based democracy of reunified Germany. Protesters, who helped to overthrow the socialist regime, show higher life satisfaction and better labour market outcomes after reunification. Former members of the ruling socialist party and employees in state-supervised sectors became substantially less satisfied.*

Autocracies, governments in which a person or group exercises [unlimited power](#), have been the dominant form of government throughout the history of mankind. Oftentimes, when the population of a country is able to overthrow an autocratic regime and implement a democratic system, high hopes emerge that this new system will improve economic prosperity. While there seems to be a consensus that democracies are in general better suited to improve overall living conditions and economic welfare when compared to autocracies (i.e., see [Acemoglu et al., 2015, 2019](#)), it is less clear how democratisation affects the economic performance and life satisfaction of different groups within the former autocracy. On the one hand, the new system may favour former opponents of the autocracy who helped to overthrow the old system. On the other hand, the new system may depend highly on former supporters of the autocracy who can thereby maintain their access to opportunities and power. This question on how different groups in the population perform after democratisation is not only relevant for the individuals themselves, but also directly impacts the approval of the new system. If former supporters of the autocracy retain their higher societal and economic status, the majority of the people may lose confidence in the new system. The same could be true if opponents of the overthrown system do not adequately benefit from the politico-economic transition.

Using rich individual-level panel data over almost three decades, we are able to analyse the economic, social, and political outcomes of former supporters and opponents of the bygone GDR in reunified Germany. The state socialist GDR lasted for 40 years until 3 October 1990 in East Germany. After that date, East Germany reunited with West Germany, thereby adopting parliamentary democracy and a market-based economy. The rapid transformation from autocracy to democracy presents a unique case. This setting may serve as a best-case scenario for a potential swift change of (economic) opportunities, allowing us to estimate the direct impact of the politico-economic transition on the resident population.

Our survey data of over 600 individuals spanning the years from 1990 to 2018 allows us to observe outcomes in the pre- and post-transition years, such that we can investigate changes in outcomes from the old to the new system. We identify supporters and opponents by their political engagement in favour (party membership and employment in state-sensitive jobs) or against the autocratic system (protest participation). In our main linear regression framework, we analyse the outcomes of former supporters and opponents relative to the majority of the population, who were politically inactive in the GDR. We do two types of analysis. On the one hand, we look only at the outcomes of former GDR citizens in reunified Germany. On the other hand, we also investigate how life satisfaction and labour income change after German reunification with respect to observations made in the state socialist regime (see the full paper for more details). In addition, we control for demographics, socio-economic status, and repression experience in the GDR in order to net out these differences between former supporters and opponents of the regime.

**Figure 1. Levels (left) and changes (right) in economic outcomes after East Germany's transition to a market-based system**



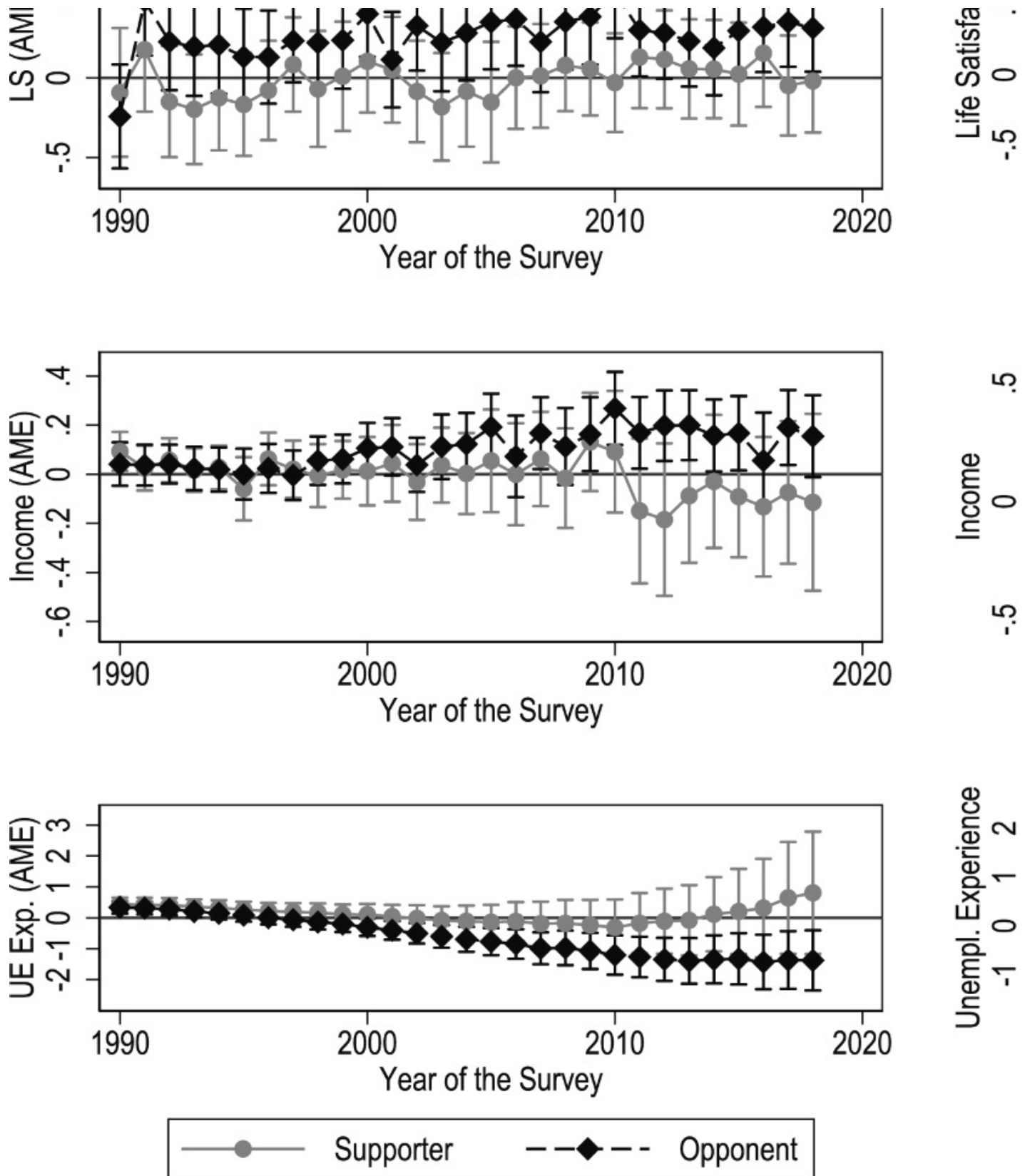


Figure 1 shows that former opponents benefited from East Germany's transition to a democratic, market-based system. Individuals, who helped to overthrow the government in the Peaceful Revolution of 1989/90, score higher on levels (panel on the left) and changes (panel on the right) in economic outcomes after the transition. The effect of the transition on outcomes is substantial. Life satisfaction improved by more than half a point on a zero-to-ten scale, which is comparable to the effect of an unemployed person finding a new job ([Gielen and Van Ours, 2014](#)). In contrast, former supporters of the GDR, measured by Communist Party membership and employment in state-supervised sectors, lost almost one point in life satisfaction in the new system compared to pre-transition levels. While former opponents exhibit more stable employment arrangements and increase their income by almost eight per cent compared to the majority of the population, such a wage premium is absent for former supporters of the GDR.

In further analyses we see that these findings cannot be explained by different labour market behaviour, i.e. investment in further training, choice of occupation, west migration, etc. In fact, the negative results of the abolishment of the GDR for former supporters materialize immediately after reunification, lending credibility to the interpretation that democratization itself affected life satisfaction and labour market outcomes of this group.

As such, our findings are in line with the interpretation that a stark historical reappraisal of the socialist period and a swift economic and political transformation in East Germany led to different outcomes between former supporters and opponents of the GDR than in the other former state socialist and communist countries in central and Eastern Europe. Our study also documents that former elites, i.e., supporters of the East German autocracy, were not able to retain their (economic) privileges. Moreover, our results highlight that those who fight for democracy may be compensated by higher life satisfaction and better labour market outcomes than those who cling to a doomed system.



#### Notes:

- This blog post is based on [Are the supporters of socialism the losers of capitalism? Conformism in East Germany and transition success](#), *European Journal of Political Economy*.
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