

REVIEWS

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BOOK REVIEW: THE IMPORTANCE OF
CONSTITUTIONAL RULES AND PROPERTY RIGHTS:
THE GERMAN ECONOMY IN 1990–2015

Abstract: The book titled *The Importance of Constitutional Rules and Property Rights. The German Economy in 1990–2015* prepared by Damian Bębnowski, a researcher at the University of Lodz was published in 2022 by Peter Lang. This comprehensive 440-page monograph is devoted to an important event in recent German history, namely, the reunification and the period of building a social market economy order in the former GDR during the period indicated in the title.

Keywords: formal institutions, German Constitution, property rules, German economic history, German reunification, Eastern Germany

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Reaching out to the recent economic history of Germany should be considered apt for several reasons. First, Germany – Europe’s largest economy – deserves researchers’ attention. The research scale on this country seems underdeveloped, considering its importance, not only in economic terms. Secondly, an attempt to look historically at the socio-economic transformation of the former GDR from the perspective of the economic order, institutional framework, or economic constitution (*Wirtschaftsverfassung*) allows us to expect interesting results. As a special case, the former GDR has remained somewhat “on the sidelines” of the broad mainstream research on the countries of systemic transformation since it was treated as part of a unified Germany. Meanwhile, certain phenomena typical of transformation also occurred there (e.g., the transformation crisis), sometimes with much greater force. German reunification is a special historical experiment,



a mini-laboratory for European economic integration (creation of a common market, monetary union, etc.). Thirdly, it is cognitively valuable when examining a document of constitutional rank. The West German Constitution of 1949 is a document that can be esteemed in many points (FOJ, P. I, item 2478). The economic and property rights plane of interest here is only a part of a larger whole. Its clear wording inspires respect (e.g., *Human dignity shall be inviolable* [Art. 1], or *Property entails obligations* [Art. 14]), which is evident in the practice of its application and respect for the fully independent Federal Constitutional Court (*Bundesverfassungsgericht*). The stability and openness of the Basic Law lead us to expect that it will continue to serve future generations well. Long-term analyses on the grounds of constitutional economics undoubtedly make more sense for countries where the constitution is observed and lived in the *de jure* and *de facto* dimensions mentioned in the book. And such a country is undoubtedly Germany. One more digression can be made here: the social market economy system is not literally indicated in the German Constitution, and it can be considered that it has been largely implemented in practice. In contrast, the Polish Constitution (Dz.U. 1997, No. 78, item 483: article 20) clearly states that “A social market economy, based on the freedom of economic activity, private ownership, and solidarity, dialogue and cooperation between social partners, shall be the basis of the economic system of the Republic of Poland.”

The author has tasked himself with identifying, characterizing, and evaluating selected formal institutions for the German economy in 1990–2015 while clearly narrowing the field of interest to the German Basic Law and property rights. In his opinion, they played a fundamental role in the economic transition in the new federal states, setting the framework for the transformation process and the economic unification of the country (p. 15). Adopting such a hypothesis structured the monograph, which begins with an analysis of the concept of institutions (Bębnowski, 2022: Chapter 1), then undertakes a review of the constitutions of the GDR and the FRG (Bębnowski, 2022: Chapters 3–4), and finally moves on to ownership and its transformations (Bębnowski, 2022: Chapters 5–6). This arrangement follows the chronological order of the facts and events described.

Turning to a more detailed description of the content of the following chapters, as mentioned, Chapter 1 illuminates the category of institutions in selected social sciences, emphasizing their understanding through the prism of economics, history, and economic history. Inaugurating the empirical part, Chapter 2 attempts to capture the economic situation of the two German countries at the dawn of reunification. It then sketches the process of political unification.

The third Chapter is symmetrical in that it juxtaposes the constitutions of the two German countries in an attempt to bring out their econom-

ic and social components in both cases. In the fourth Chapter, the author looks for channels linking the West German Basic Law to the real economy operating under its regime. Here, he draws on selected theoretical approaches but rightly begins with the ordoliberal distinction between the level of economic order and the level of the process taking place within it (Bębnowski, 2022: 125). The economic success of postwar West Germany is inextricably linked to Ludwig Erhard's reforms and the principles of liberal economic order derived by the intellectual father of ordoliberalism, Walter Eucken. This was followed by an attempt to show the quality of formal institutions for Germany (economic order as input) to move on to its effects (output): economic growth and the dimension of fiscal policy and its rules.

Chapter 5 analyses property rights institutions in the GDR and the implementation of West German solutions. The discussion is conducted mainly from the position of the achievements of the new institutional economics, including its faction of the new economic history, represented, among others, by the works of D.C. North. This is a strong part of the dissertation, in which all the most important theses of the literature are recalled in a condensed form. In light of these ideas, the evaluation of property rights regulation in the GDR comes out unequivocally negative. The attempt to create a system based on Marxian doctrine meant building constructions based on fragile foundations. In fact, the situation was similar in other socialist countries, including Poland, where the 1952 Constitution and the 1964 Civil Code essentially distinguished between three types of property: social (state) property, individual property (small private economic property), and personal property (Moszyńska, 2019: 201) (compare the diagram with the classification of property in the GDR on p. 188). The author introduces the reader well to the intricacies of property rights in the GDR and the forms of organization of various economic units (enterprises, cooperatives) to then tell the story of the implementation of property rights in Eastern *Länder*.

The sixth chapter, the most extensive in terms of volume, contains a discussion of property rights in a unified Germany and their relationship to the economy. Property rights are evaluated from the perspective of their completeness, as postulated by the new institutional economics, as well as from the point of view of their enforcement and protection. The second part of the chapter collects the most important areas to connect property rights in post-reunification Germany with economic action. The new *Länder*, in particular, are under the microscope because, after all, since they received a complete set of formal rules from the West, this should translate into a new economic miracle. We all know that, unfortunately, it wasn't that simple, and from the book's pages, we will largely find out why.

The author consistently takes the position of an economic historian but draws freely on contributions from other scientific disciplines, including economics, history, sociology, and law. The crossover of these disciplines has become the capacious category of institutions, which each science understands somewhat differently. Still, this interdisciplinary approach seems to be precisely the strength of the narrative used in the book. After all, such complex processes as systemic transformation cannot be described and understood from just one perspective.

The narrative is carried out smoothly, and the author occasionally employs methods of generalizations, simplifications, and summaries, facilitating reception and not overloading with excessive information. The publication's strengths include an interestingly set research objective, clearly defined areas of analysis, and a clear theoretical basis. The far-reaching interdisciplinarity while maintaining the dominant role of economic history should be appreciated. The work is based on an extensive database of sources, mostly German and English-language, and literature on the subject, without omitting Polish works (Grabska et al., 2014; Moszyński, 2016). The book is very carefully prepared, with attention to detail, and an index of names helps navigate through it. It's definitely worth reading.

Michał Moszyński, professor of the Nicolaus Copernicus University in Toruń, Poland; Faculty of Economics Sciences and Management. His scientific interests focus on macroeconomics, institutional economics, the labor market, and the German economy, and he has published three monographs related to the German labor market. He is a chairman of Polish Economic Society, Branch in Toruń.

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