Reunification: How East Germany's economic discrepancies have paved the way for a rising start-up industry

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Reunification: How East Germany's Economic Discrepancies have paved the way for a Rising Start-up Industry

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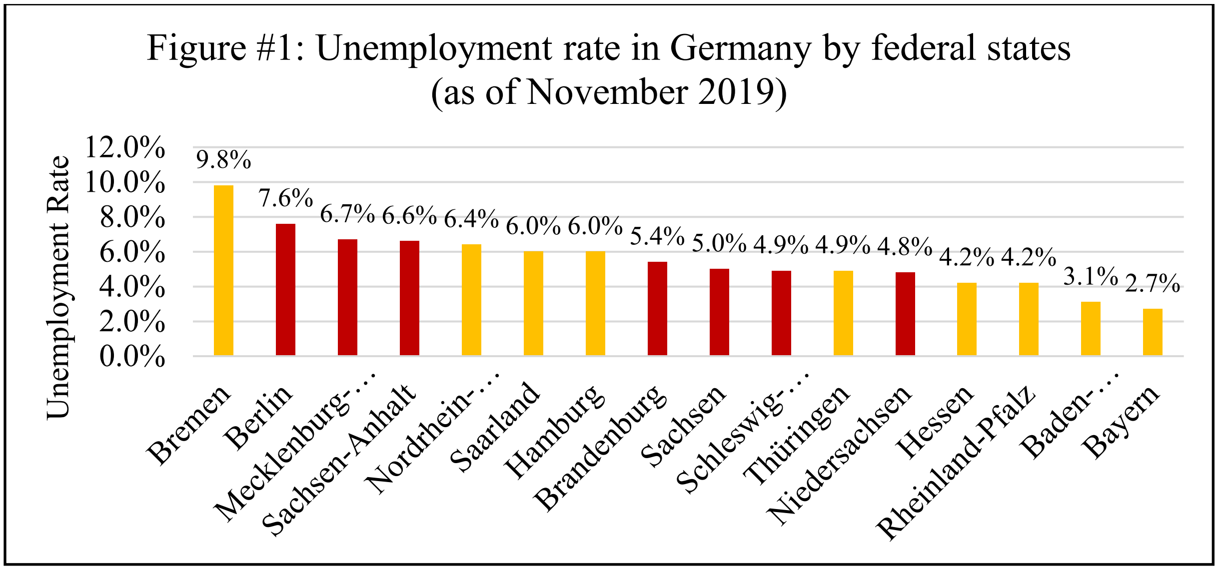
ABSTRACT

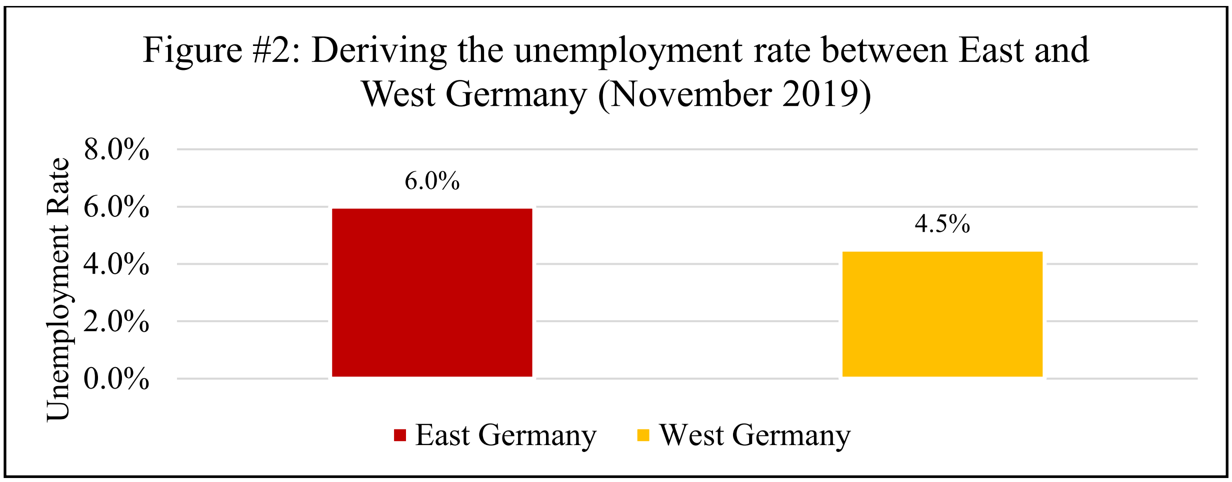
This text uses an analysis of historical circumstances to understand the discrepancies between the East and West German economies, and how Startup organizations can implement certain measures into their corporate governance and business structures to capitalize on cheap labour and infrastructure in East Germany. Historical events including the Zollverein Coalition, the Treaty of Versailles, and the differences between the Marshall Plan and the Soviet planned economy will be analyzed to determine the contributing factors behind East Germany's high unemployment rate and lower per capita GDP (Statista, 2019). The analysis will include the influence of key sectors and industries that effect the East German Startup economy, and how they have responded since the reunification of the country. Benchmarking for the analysis will include levels of unemployment, wages, and overall productivity in East German cities in comparison to their West German counterparts. The analysis of these factors will be used to determine the gaps in the East German economy that impede the area's growth, and how different organizations have tailored their structures and production methods to mitigate these concerns. Analyzing these areas will help determine how Startup organizations can implement certain features to continue to flourish with their future economic endeavours in the East German region.

HISTORICAL ANALYSIS OF THE EAST GERMAN ECONOMY

Germany has a history spanning over two millennia, coinciding with a drastic shift in ideologies and interests amongst her occupants during this time. Given the nation's central location within Europe, many regional influences have played a part in shaping the nation's culture, economy, and ideologies. While the Western regions of the country are predominantly multicultural, nationalist ideologies in the East have inhibited the region from developing similar traits. These regional discrepancies have been emphasized in the past century, producing a divide between those residing in the Eastern and Western States. While East Germany's economy has improved in recent decades following the German Reunification (The Local Germany, 2018), it still lags behind its Western counterparts. As of November 2019, all six of the former East German states (East Berlin, Mecklenburg-Vorpommern, Sachsen-Anhalt, Brandenburg, Sachsen, and Thüringen) sit at or above the national unemployment level of 4.8% (Statista, 2019), equating to an East German unemployment level of 6%, versus 4.5% in the former Western States (Statista, 2019).



(Statista, 2019)[1]



(Statista, 2019)

A self-reported life satisfaction survey conducted by the German Socio-Economic Panel between 2012 and 2016 found that individuals in the Eastern states still report a lower overall level of wellbeing, driven by lower household income and higher unemployment (Ortiz-Ospina, 2017). Despite the lower levels of employment in these regions, many organizations have capitalized on the surplus of available labour in these East German areas, establishing a flourishing Startup sector in Berlin that has expanded to Leipzig and Dresden. These markets have closed the socio-economic gap between the two regions and have led to the establishment of various successful companies in this area (Vollmer, 2015). In order to fully comprehend the East-West German ideological and socio-economic divide one must analyze the influence of key events the nation’s history, starting with the Zollverein Coalition of the nineteenth century.

[1] Yellow depicts former West German States, Red depicts Former East German States

SIGNIFICANT EAST-WEST GERMAN EVENTS

The Zollverein Coalition

The Zollverein Coalition was a series of policies implemented in the 1830s to manage the tariffs between the different states making up the German region. The Zollverein Coalition was significant in a variety of ways. The economic treaty of the nineteenth century between German states was the first and arguably most vital step in modernizing a new, uniformed Germany (Ploeckl, 2015). It was very progressive for its time; Ploeckl notes that it was the first example of an organized economic coalition between different nations anywhere in the world. The reasoning for this trade agreement stems from regional differences across the German States. Prior to the trade agreement, the Eastern areas of Prussia[2] had a predominantly agriculture-based and resource-heavy economy. At this time, the Western Prussian States began to industrialize their economy, and looked to modernize their production habits while maintaining a liberal political and economic view (Ploeckl, 2015). However, the Western States required goods from their Eastern counterparts to facilitate their production, which was difficult to achieve given the disadvantageous tariffs restricting the movement of goods. The Zollverein Coalition employed new moderate rates that enabled these trades to happen, however, the Prussian territory was quite expansive and made the trading process a lengthy endeavour.

The Prussian Empire capitalized on the rapid industrialization of the country's economy by creating an extensive rail network, which in turn diminished freight costs and shipping times alike (Ploeckl, 2015). During the nineteenth century, the economy went from being a mess of poor states to a unified empire; by 1890, Germany had become the one of the largest, most modern economies in the world (Geiss, 1997). However, at this time, many of the Eastern regions were still resource-based economies, relying on the West for much of their trade. Furthermore, many of the smaller Eastern States joined primarily for "fiscal reasons" (Geiss, 1997), so as to avoid any regional tension from their neighbours. This meant that, while they were still counted in as members of the coalition, their primary purpose of inclusion was for political reasoning (Geiss, 1997). That being said, the economic impact of the German Industrial revolution was seen as being mutually beneficial for the two regions, and "was the most important […] development for Germany's economic unification during the […] 19th century" (Ploeckl, 2015).

The Treaty of Versailles and protectionist policies

The Treaty of Versailles was a set of sanctions levied on the German empire following the First World War. The Treaty of Versailles had catastrophic effects on the once-great empire. In the early 1900s, Germany had developed a largely nationalistic sentiment, catalyzed by the fact that British nobility would often travel to Paris, but not the German capital of Berlin. The German Kaiser stated his disdain for Britain and France's sole recognition amongst world powers, and that they "paid no attention to what [he had] to say. Soon, with [his] great Navy to endorse my words, they will be more respectful" (Graebner & Bennett, 2011). By the end of the war, and despite succumbing to the Allied forces, Germany had also demonstrated their triumphant military feats. However, they had also suffered extreme casualties to both their population and infrastructure. US President Woodrow Wilson suggested that Germany had to be harshly punished so as to maintain peace in Europe after the war and to avoid further German desire for revenge (Graebner & Bennett, 2011). The harsh economic sanctions crippled the German economy, including forfeiture of resource-rich territory and enormous reparation payments, which renowned Economist John Maynard Keynes stated would destroy the German economy for many years to come (Keynes, 1919).

[2] Modern day Poland and East Germany

This nationalistic sentiment paved way for the immergence of the National Socialist German Worker's Party (Nazi) in the 1930s. The effects of these ideologies have re-emerged in recent years, and regions of East Germany now exhibit similar beliefs albeit to a far lesser extent (Knight, 2010). While the political divides have re-emerged from their roots in the policies in the Treaty of Versailles, one must look further to understand the impact that certain initiatives have had on the region's economy.

The Marshall Plan versus Soviet Planned economy

At the conclusion of Second World War, the ruling German government had been dissolved and taken over by the US, France, Britain, and Russia. The formation of the Federal Republic of Germany in the West and the German Democratic Republic in the East came about in 1949, and what transpired over the next four decades led to significant ideological and economic divides between the regions. In the West, the US implemented the "Marshall Plan", where they provided ample monetary aid to develop the Federal Republic's capitalist economy (Berle Jr., 2015). This enabled the new nation to benefit from reduced trade barriers between their NATO allies, modernizing their production industries, and providing access to the production goods they used to acquire from the Eastern states (Berle Jr., 2015). Additionally, the now-worthless hyper-inflated Reichsmark was replaced by a new currency in the West, immediately adding value and increasing productivity (Gethard, 2015). Gethard noted that at this time production in the Western region had surpassed the pre-war levels and increased in years following the implementation of the "Marshall Plan". At this point in time, the West was encouraged to trade with other countries, specifically due to the nation's integration into many trade organizations (Berle Jr., 2015).

The same could not be said for their Eastern counterparts, who, under the control of Russia, became a "planned economy" by the controlling Soviets (German Culture, 2019). The economy was still centred around natural resource extraction, similar to centuries prior, as well as a large automotive production industry. The country had very limited access to trade outside of those in the Eastern Bloc due to embargos, so the natural resources they extracted were sold at a fraction of their potential selling costs to the Soviets (German Culture, 2019). The closed borders meant that East Germany was not exposed to technological advancements made by those in the outside world, therefore they could not progress their economy at the same rate as those in the West. Despite having the highest per capita income in the Eastern Bloc (Protzman, 1989), they continued to operate using the Reichsmark, whose value had depreciated over time against the West German Mark. This had a severe impact for those in the East when the countries unified (Protzman, 1989), as the net worth of those living in these areas became far less due to the value of their currency.

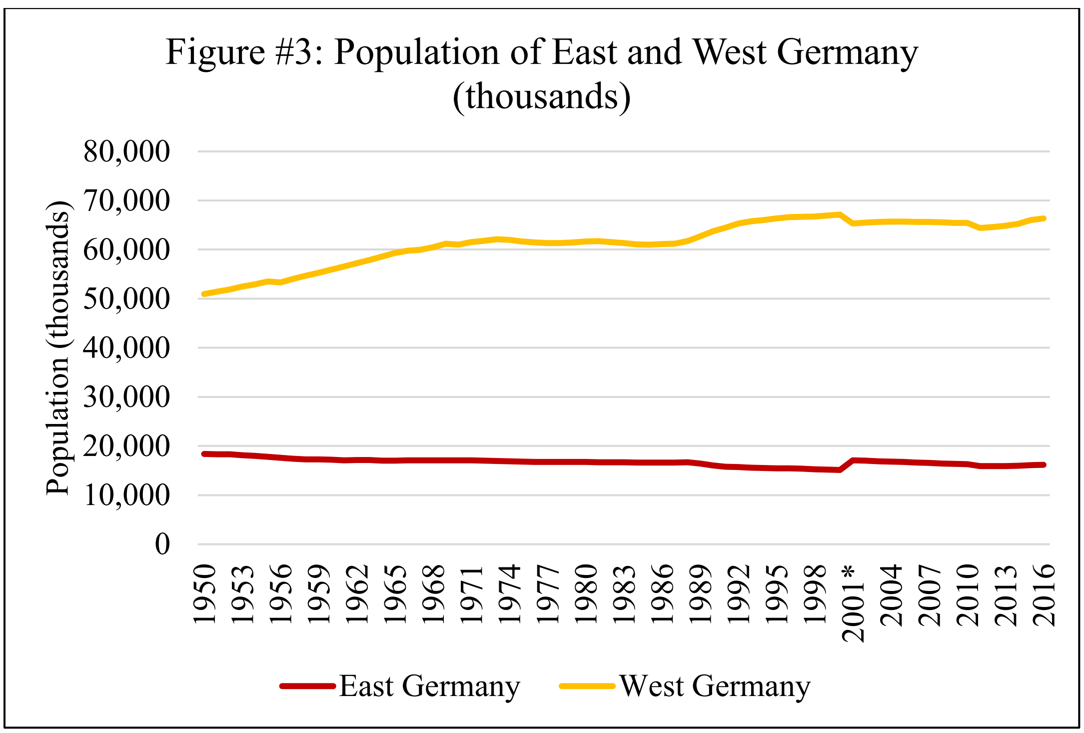
The physical barrier separating those in Berlin came down in 1989, however, an ideological and socio-economic divide persisted. Immediately, Germany became the world's third largest economy based on their GDP, however, a significant discrepancy between the former states immerged as well. It is important to analyze how East Germany is still hindered by its historical circumstance in order to grasp the region's current economic turmoil.

EAST GERMANY TODAY

The repercussions of the German divide are evident today. Currently, those living in the states of Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern, and Thuringia have a per capita GDP that is 20 percent lower than those from the West (Buck, 2019). And while the monthly per capita GDP has risen by nearly €700 in the past twenty years, the 20 percent gap has persisted over the same timeframe. Furthermore, East German citizens are more likely to suffer from poverty, at a rate of nearly 17.8 percent (The Local Germany, 2018). Much of East Germany is quite rural; the largest city outside of Berlin is Leipzig, which is only Germany's eighth most populated city. For this reason, many retail organizations will overlook these areas during their expansions due to their perceived lack of demand, with many "many rural areas lack[ing] shopping, schools, and medical practices" (The Local Germany, 2018). This makes it difficult for citizens living in these areas to access the goods that are abundant in the West German states. Furthermore, people in the East were taught Russian in school as their second language, so the number of English speakers in the East is less than those in the West (EF, 2019). Therefore, there are limitations on trade for those living outside German or Russian-speaking countries.

Outside of Berlin, only 17 of Germany's 500 largest companies are based in East German states (Buck, 2019). This means that many of the most valued activities for economic growth are not based in these regions, instead, they operate as an "extended workbench" for large corporations based in the West (Buck, 2019). This includes activities that create the most value for the organization, such as administrative work, executive work, and research and development (Buck, 2019). This aligns with the historical production of East Germany, centred around the area's automotive industry, however, it means that companies like Porsche and BMW can capitalize on the cheap labour while keeping the valued activities in "preferable" cities, such as Munich, Cologne, and Stuttgart. This is further inhibited by disadvantageous government policies relating to decreased production (Halle Institute for Economic Research (IWH), 2019).

The German federal and state governments offer subsides for companies to maintain jobs in East German regions. This has said to have reduced the incentive for productivity, as companies are still able to benefit despite earning lower profits, therefore paying less to their workers (Halle Institute for Economic Research (IWH), 2019).



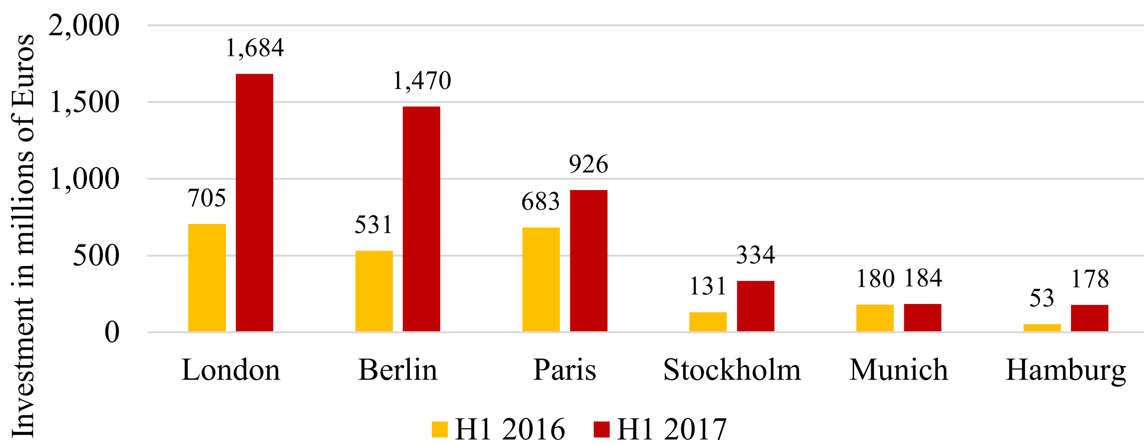
(Statistisches Bundesamt, 2017)

Since reunification in 1989, the East German population has decreased by nearly 2 million people, while West Germany's population has continued to increase, albeit at a relatively slow rate. This has been due to the migration of East German citizens to cities in the West that they perceive to be more "favourable", as well as increased non-EU immigration to the West versus the East (Buck, 2019). This decline in population may have dire consequences on the region in the coming years. Despite the fact that the gap between the two economies have closed, Prognos AG (The Local Germany, 2018) suggests that the gap will increase again by 2045 due to the aging workforce and low birthrates. This, coupled with a declining population, puts East Germany in a situation where they will have less access to skilled labourers, due in part to the dwindling population. The Halle Institute for Economic Research suggests that immigrants are more attracted to cities in the West, further limiting the supply of skilled labourers in the East (Halle Institute for Economic Research (IWH), 2019).

A study conducted by Vogel et al. (2015) determined that, indeed, East German citizens have a significantly lower life satisfaction than those in the West (Vogel, Gerstorf, Ram, Goebel, & Wagner, 2015), with the key contributing factors being the poorer health infrastructure and living conditions. This reiterates the points made by Uhlig's study (2008) which found that the aforementioned factors are major contributors to lower levels of life satisfaction, as well as lower wages and high unemployment.

Not all is bad in East Germany. The levels of unemployment have been falling since the peak in 2005, and current sits at around 6% (Deutschland.de, 2017). The larger cities in East Germany have also seen a newfound economic revival. Leipzig has been voted as the second-best German city with "future prospects", with Dresden also being featured in the top ten (Leipziger Volkszeitung, 2017). Some larger companies have begun moving to these cities to capitalize on their surplus of available infrastructure and resources, including Amazon, DHL, Porsche, BMW, Volkswagen, and Siemens. The capital city of Berlin has also benefited from increased productivity; in 2014 Berlin was able to attract more venture capital investments than London, UK (Vollmer, 2015). Companies like meal-kit group HelloFresh and the online bank N26 have immerged from the region as unicorns, companies that have valuations of over $1 billion. In order to understand how these companies have thrived, and how future Startups can achieve success, organizations must be conscious of the techniques they employ in their working environments.

Figure #4: Leading start-up cities in Europe in 1st half of 2016 and 1st half of 2017, by value of investments (in million euros)



(Ernst & Young, 2017)

Solving East Germany's economic woes has been a question amongst many economists for over three decades since the reunification, and by no means can one suggest a single macroeconomic change to revolutionize the region's economy. However, given the aforementioned information, there are three key aspects that Startup organizations may employ to become successful enterprises in East German cities:

1. Increase labour productivity by paying their workers at an appropriate rate
2. Embrace internationalization
3. Continue investing into their emerging Startup culture

Of course, it would be naïve to suggest that these three aspects are applicable in every circumstance. Rather, they can be useful in providing informational guidelines that organizations can implement into their business models when commencing operations in the Eastern region.

RESEARCHING EAST GERMANY'S ECONOMIC WOES

Increasing labour productivity

A top-down approach can be used to analyze East Germany's issues regarding labour productivity. Currently, labour productivity sits at 83% compared to that of the West (Ragnitz, 2007), but only at 67% in the private sector. There are many factors that contribute to this phenomenon, but two key problems surround wage gaps and lack of skilled labourers. The gap in productivity is nearly equal to the gap in wages; East German workers make around 81% of the national average income, compared to 104% of the West (Halle Institute for Economic Research (IWH), 2019), while the previously mentioned labour productivity is nearly identical at 83%. It is a vicious cycle for East German workers; lower pay means less incentive to work, thus lowering the production output for the company. This has been further catalyzed by lost jobs in the industrial sector; East Germany was fuelled by the production of automobiles and technology, however, the number of people employed in these sectors has fallen since the reunification in 1991 (Halle Institute for Economic Research (IWH), 2019). The service sector has grown during this time, but at a lower rate than in the West. These adverse conditions actually create viable opportunities for Startups, as they can capitalize off of the existing facilities and infrastructure in the region.

East Germany has a surplus of cheap, usable facilities to accommodate new production. As the industrial output has fallen since 1991, the number of vacant buildings has increased (AFP, 2017), so companies can capitalize off of cheap rent and facility use. This is especially important for emerging Startups as every dollar is of utmost importance as potential investors analyze their return on investments. Additionally, it can be attractive for young professionals to work in some of these cities because of the cheap living expenses. Groceries and rent are a fraction of the cost in East Germany compared to many other parts of Europe, so companies can profit off of newly graduated people who may have less income.

In the short run, companies may be able to turn higher profits by paying their employees at less of a premium than in the West. It was previously mentioned that the average citizen in East Germany makes only 81% of the national average salary, however, companies can afford to pay these employees at a rate higher than the regional average while still paying less than they would for similar work in the West. In turn, companies would have a higher productivity output than if they were to pay them at a lower rate. From a ground-up view, this would prove to be attractive to prospective employees. While they may earn less than they would in the West, their living expenses would be a fraction of what they would otherwise be paying. So, in the long run, they would end up with more disposable income.

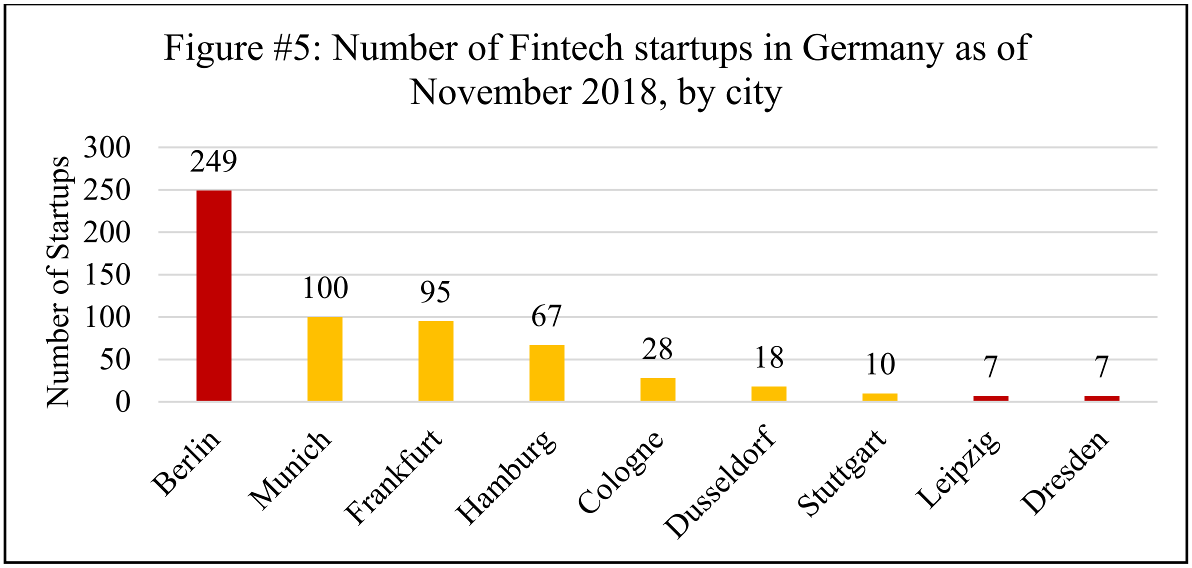
Productivity is lower in rural areas than urban sectors, and East Germany has a predominantly rural population (Halle Institute for Economic Research (IWH), 2019). To compensate for lower wages in these regions, the German government provided many traditional industries with subsidies, essentially as a form of equalization payments for those living in these areas. One half of those working in the East work in city regions, versus three quarters in the West (Halle Institute for Economic Research (IWH), 2019). This means that half of those employed in the East are working in traditional rural industries, however, they have far less of a production output than those in the cities. This phenomenon is also shocking considering East Germany does not have a deficit in physical capital to produce goods (Halle Institute for Economic Research (IWH), 2019). Therefore, one can conclude the adverse effects that the government subsidies have on the traditional economy. While the government has begun to support immerging industries through grants and accelerators (German Accelerator, n.d.), the subsidies impede the ability for new companies to gain access to monetary funding. However, some companies are choosing instead to gain funding from private institutions and angel investors, mostly centred out of the major metropolises in Berlin, Leipzig, and Dresden.

New companies in East Germany must be aware of the minimal government financing they have access to; however, they should also be aware of the plethora of private financing options available in the East as an alternative. This will be covered in further detail later into the analysis of the Startup scene investments.

Embracing internationalization

The majority of Startups in East Germany are in the tech industry. For this reason, Berlin has become the epicentre for Fintech, Blockchain, and E-commerce companies in Europe, despite not being home to any major banks. There are three key factors that play into the city being an ideal place to conduct business; it has a large population of English speakers, it is inexpensive compared to Munich or Cologne, and it attracts a “homogenous mix” of people from around the world (Yuko, 2016). Now, as the markets in the Fintech, Blockchain, and E-commerce sectors have grown, so has the economy in the city itself. Less people are moving to Berlin for the benefit of cost of living, rather, for the “network and internationality of entrepreneurs” (finleap, n.d.). The international culture of the city transcends to the Startup scene; nearly half of the Berlin tech scene is non-German (Yuipco, n.d.).

Berlin has the most women employed in the Startup sector in Germany, albeit only at 16.2 percent (Deutschland.de, 2017). As indicated in the previous table, Berlin also has a disproportionate number of Startups compared to other parts of Germany, especially in comparison to others in the East. Nearly 50 percent of those working in the Startup sector are “foreign-born” (Deutschland.de, 2017), which makes Berlin the most international city in Germany. This has been one of the reasons that the city has been able to excel; the ability to connect to diverse clients around the world is a major asset for new companies.



(comdirect Bank, 2018) [3]

However, most East German cities are very monocultural. Furthermore, there has been a negative aura surrounding immigration in these cities; far more people are unemployed in East Germany to excel; the ability to connect to diverse clients around the world is a major asset for new companies. However, most East German cities are very monocultural. Furthermore, there has been a negative aura surrounding immigration in these cities; far more people are unemployed in East Germany so some see immigrants from a far-right political stance, in that they are taking jobs from those native to the regions (DW, 2019). That being said, the number of non-EU nationals moving to Germany has increased year-to-year by 20 percent (DW, 2019). This has given the failing East German economy to access to more skilled workers, at a time where most young German professionals migrate West for more lucrative employment opportunities.

As the world becomes more and more interconnected, the importance of internationalization becomes all the more apparent. While East Germany still lags far behind in these efforts, evidence of the beneficial effects of a pro-immigration stance in Berlin has shown that the remaining cities can surely benefit from a progressive, international mindset. The increase of non-EU nationals moving to East Germany will prove to be beneficial in the coming years as more and more corporations will see the region as being diverse, so they will be more inclined to move there. Berlin has already proven this to be the case, and now many international companies are capitalizing on the region's cheap living costs, such as Coca Cola, Amazon, and Pfizer (Berliner Morgenpost, 2018).

Reinvesting into the Startup scene

East Germany has a legacy of being cold and dreary, comprised of old Soviet architecture. However, for many of the centralized areas, this could not be further from the truth. David Bowie once stated that Berlin is said to be the "greatest cultural extravaganza that one could imagine" (Ashraf, 2016). This has proven to be an attractive market for many Startups, as young enterprises flock to the city for its culture and emphasis on expressing creativity (Stokel-Walker, 2019). This desire for creativity has spilled over into surrounding metropolitan areas.

[3] Yellow depicts former West German cities, Red depicts Former East German cities

The HHL Leipzig Graduate School of Business has partnered with various regional investors to fuel a Startup accelerator known as the “SpinLab” (SpinLab, n.d.). The accelerator provides entrepreneurs with resources to begin operating their Startups, by partnering the organizations with different business professionals from the surrounding area. Furthermore, they provide the areas to facilitate their work, and they charge no fee for the companies to work there. It has proven to be an extremely profitable endeavour for both the Startups and the investors; the founders of Trivago and Delivery Hero both immerged as unicorns with help of those involved with this project. The overarching power behind this program is that it is exposing people to the potential benefits that East German markets can offering; cheap workplaces, ambitious entrepreneurs, and skilled labourers. So far, projects within the network have been able to generate nearly €52 million in funding (SpinLab, n.d.). Other metropolitan areas with immerging Startup scenes include Halle, Dresden, and Potsdam. These efforts have been aided by the German government through the German Accelerator project, partnering German Startup projects with mentors in overseas regions like New York, Silicon Valley, and Asia (German Accelerator, n.d.). One company out of Berlin has been particularly successful in achieving international acclaim through this program. COMATCH, a consultant intermediary, has used the program as a catalyst for international expansion, and now the company offers its services around the world, including New York, London, and Berlin (COMATCH, n.d.).
One major expense for new companies is finding a suitable location to commence their operations at a relatively low expense. Berlin has seen a growth in co-operative work environments; WeWork has seven different office spaces in the city (Belleville, 2019). And while the future of WeWork is unknown, many alternatives have sprung up in Berlin, including Betahaus and Factory Berlin (Belleville, 2019). Both of these offices offer ample perks and amenities that one would see in a large Startup’s office, at a fraction of the cost. Furthermore, these spaces offer companies the ability to interact with others to access diverse perspectives regarding their economic growth.

APPLYING RESEARCH TO FORMULATE GUIDELINES

Formulating a business model that adheres to changing preferences.

The contributing factors to economic growth have been identified, so a concise framework can be established for current and prospective organizations in East Germany. There are three key factors that successful Startups employ in their business models that have shaped them into exciting companies.

Cultivating productivity by increasing employee satisfaction

A study by the Harvard Business Review found that high levels of skill and experience do not translate to successful Startups, rather, a high level of passion is said to be of greater importance (de Mol, 2019). Organizations comprised of those with similar interests and ambitions are far more likely to succeed than those comprised for their experience alone (de Mol, 2019). In East Germany, people need to formulate a company cultures that enable and encourage productivity by providing sufficient compensation (at a level greater than the 80 cents on the dollar versus those in the West), by following a shared vision, and by encouraging equal work environments (only 16.2 percent of those in the Berlin tech sector are women). However, there have been initiatives set in place to invite Startup owners to Berlin to have them better understand the region’s ecosystem, and hopefully build on the number of female workers in the tech industry (Herzog, n.d.). This will prove to be very beneficial in coming years, and one would hope that these events will be expanded throughout other cities in the region.

Encourage diversity in the workplace

All multinational corporations benefit from globalized perspectives for their companies. By encouraging diversity in workplaces, companies have access to specialized expertise in different sectors that they may otherwise be ignorant to (Erixon, 2018). East Germany is an anomaly in that the country exhibits very nationalistic characteristics despite its central location, thus access to many different cultures. In order for East German brands to immerge as powerhouses, they need to embrace an international mindset that enables them to access human capital and resources from various different backgrounds, therefore ignoring the monopolistic tendencies that the government and private sector workers currently employ.

This point is made evident by the previously mentioned economic discrepancies between West and East Germany due to the West's trade partnerships with other regions. Startups in the major metropolitan hubs outside of Berlin need to consider hiring employees from outside of East Germany. While they may not benefit from the subsidies that the government offers companies in traditional East German industries, then can capitalize off of different backgrounds and specialties by hiring outside of the region. This hiring process is part of the reason why Startups in Berlin have been so successful, and it is also one of the ways that these regions can excel as well (Erixon, 2018).

Support Startup initiatives and finance East German Startup projects

Companies must continue to invest into accelerators in larger cities to provide the necessary financial and structural resources for Startups to grow. The aforementioned SpinLab and COMATCH initiatives have proven that the East German market is a viable place to build a company. Canadian E-commerce giant Shopify recently chose Berlin as its "first engineering hub outside of Canada" (Hemmadi, 2019), choosing the location for its central location and large technological network. Furthermore, the company has also supported entrepreneurial spaces in downtown Los Angeles, providing in person training and education to those living in the city. With the new opening of the engineering hub in Berlin, it is only a matter of time before the company capitalizes on the Startup growth within the city by establishing a similar initiative. Companies that invest into accelerator programs can benefit off of the companies that immerge as successful businesses. Bombardier, KPMG, GE, Pfizer, and P&G are among some of the larger corporations that have invested into the Berlin industry (Berliner Morgenpost, 2018). These companies bolster the local economy, and invest into local initiatives and projects that, in turn, generate more revenue for their shareholders.

Startups that are considering East Germany as a location to build should consider joining different industry-supported programs like Start Alliance and the Berlin Startup Unit (Herzog, n.d.). These programs can expose new companies to those with experience in dealing with the industry and can partner them with other innovators who can help build their companies.

CONCLUSION

West Germany's success can be largely attributed to the nation's ability to embrace an international mindset. The region was able to progress through trade with other economic powerhouses, and the region's economy has been able to withstand the economic pressures of reunification. This has been further catalyzed by inwards investments from many multinational corporations around the world. In order for East Germany to catch up, the region must embrace an international mindset, and move away from protectionist policies by encouraging internationalization in the Startup sector. The monopolistic tendencies that some companies employ have limited their ability for growth, and thus limits their potential outside of the East German region. The thriving Startup industry in Berlin is an example of the benefits that an international mindset can have on a cities industry, and these efforts should be encouraged across all major East German cities. These efforts have translated to higher pay, more skilled workers, and increased life satisfaction in Berlin, and if the other cities embrace a similar mindset, they too will be able to reap the benefits of a stronger economy.

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