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AN ECONOMIC AND HISTORICAL ANALYSIS OF TURKISH GUEST WORKER MIGRATION TO POSTWAR WEST GERMANY

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ABSTRACT

This honors thesis investigates Turkish guest worker migration to postwar West Germany and examines the role of migrant labor in West Germany's productive capacity and resulting wage levels. First, I establish the basic initiating mechanism of the guest worker program by narrating the turbulent economic times from 1945-1961. While West Germany experienced rapid economic growth (the "Economic Miracle"), Turkey dealt with increasing unemployment and political corruption. Thus, both countries had an incentive to transfer Turkey's excess labor supply to meet West Germany's strong labor demand. Next, I use historical analysis of newspaper articles, demographic records, and government documents to look at the immediate costs and consequences of the guest worker program, signed in 1961, for both the West German and Turkish macro economies. West Germany, due to its declining native labor force but rapidly expanding physical capital, effectively plugged foreign laborers into its production function, leading to more production, more sales, more profits, and therefore higher wages. Meanwhile, Turkey struggled with agricultural reform and fallow industrial resources, only strengthening the "pull" of West Germany for unemployed Turkish workers looking for a better life. In my third chapter, I use Daimler-Benz, a major auto manufacturer in West Germany, as a case study to economically analyze how this counterintuitive phenomenon—that guest worker migration ultimately enabled a growth in the overall wage level—acted on a microeconomic level. Finally, I look at the consequences of the 1973 economic downturn for the guest worker program. When West Germany officially cancelled worker recruitment in November 1973, the Bonn government, which had treated guest workers only as imported man-hours and refused to integrate them since 1961, unintentionally created a minority of permanent Turkish residents. This shift from "transient worker population" to "permanent ethnic minority" has created social tensions between native Germans and Turkish residents that persist even in modern-day Germany. I challenge the

conventional scholarship that focuses almost exclusively on social factors such as xenophobia as the origins of present-day tensions and argue the economic circumstances that brought Turks over to West Germany and then cemented them as a permanent minority offers a much more precise understanding of how and why Turks became the largest ethnic minority in Germany.

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Chapter 1

The Economic Miracle in West Germany and Turkey: Initiating a Labor Transfer, 1945-1961

Chapter Introduction

The basic momentum necessary to create the West German guest worker program began in the immediate postwar years. This chapter will trace this development from 1945 through 1961, focusing on three components: first, the creation of and conditions within the German labor supply gap; second, the Turkish demographic landscape in combination with unstable political handling that allowed for massive unemployment; and third, the process and theory behind the negotiation of the 1961 guest worker treaty between West Germany and Turkey.

1945: Politics, Rubble, and Demographic Catastrophe

In 1945, immediately after the Nazi surrender and the division of Germany into four Allied-occupied zones, the possibility of a German economic recovery seemed a remote prospect. Although estimates range wildly from four to six million combined military and civilian deaths—creating up to two million war widows—and from a tenth to a quarter of all industrial capacity reduced to ruins, Germany sustained a massive blow to both its morale and to its productive capacity.[1] Additionally, between ten and twelve million refugees, prisoners of war, concentration camp survivors, and ethnic Germans who had fled or been exiled from Poland, Czechoslovakia,

[1] William Chamberlain, "Snappy Comeback: West Germany's Economic Recovery, an Election Issue, Has Wide Significance for the U.S. and Europe," *Wall Street Journal (1923 - Current File)*, August 24, 1953.

and territories annexed by the Soviet Union, flooded into the British, American, and French sectors that comprised West Germany, burdening the occupying forces with the care of starving, sick, and displaced persons.[2] Shortages of food and coal plagued Germany, with the daily ration in the combined American and British zones barely maintaining 1,500 calories per day per person.[3]

Manufacturing companies, mostly in heavy industry such as coal, steel, arms, and automobile production that had driven the prewar economy, saw entire plants almost completely destroyed, such as the Daimler-Benz factory on the outskirts of Berlin, which collapsed in the bombing raids of February 1945.[4] Although Daimler-Benz began sorting through rubble and clearing roadways almost immediately after the surrender, the company did not regain prewar levels of employment until the mid-1950s.[5] However, the expansive war-industrial economy of the Nazi era mitigated the net impact of Allied bombing and Soviet scorched-earth tactics. From 1935 to 1943, for example, coal production increased by a third, steel production doubled, and mill production went up 50%. By war's end, despite imagery of smoking rubble and widespread demolition, net fixed capital was actually 20% higher and net capital investments were 75.3% more than prewar levels, according to an estimate that factors wartime destruction in as 17% of existing capital. [6] During the Third Reich, Albert Speer's war production economy used roughly 7.7 million slaves, prisoners of war and concentration camp inmates, and a small number of willing foreign workers to power economic growth and supply arms, textiles, and transportation to the Nazi army. The majority of these workers were liberated in 1945, and many returned to

[2] Peter Alt and Max Schneider, "West Germany's 'Economic Miracle'," *Science & Society* 26, no. 1 (January 1, 1962): 46–57, 51.
[3] "Progress (?) Report," Time 50, no. 18 (November 3, 1947): 33.
[4] Rainer Fattmann et al., *125 Jahre Arbeit und Leben in den Werken von Daimler und Benz: Die Geschichte der Beschäftigten und ihrer Interessenvertretung* (Ludwigsburg, Württ: Info & Idee, 2011), 98.
[5] Ibid., 139.
[6] Ulrich Herbert, *Geschichte der Ausländerpolitik in Deutschland: Saisonarbeiter, Zwangsarbeiter, Gastarbeiter, Flüchtlinge* (München: Beck, 2001), 192.

their countries of origin in the early postwar period to be replaced by refugees, survivors, and displaced persons.[7]

Meanwhile, the Reichsmark experienced rampant inflation. Major companies jumped at the chance to liquidate leftover debts from the war period and rapidly accumulate new capital, while individual Germans once again found themselves unable to afford basic necessities.[8] In context of this uncertainty, interest rates skyrocketed up to 11%, investment capital withdrew from the market, and taxation rates were impossibly high: before a 15% reduction in taxes in the early 1950s, a man earning 60,000 marks (about $15,000 in 1950 US dollars) would be taxed higher than his income.[9]

In short, West Germany was debilitated beyond the possibility of another war, and that was precisely the goal of Allied policies. Reparations combined with policies of demilitarization, denazification, and deindustrialization outlined in the March 1946 “Plan for the Level of the Post-War (German) Economy” placed strict limits on industrial output and capacity, dismantling excess factories and artificially restricting potential growth, although latent capital could have jumpstarted rapid growth with the overflowing labor supply of refugees. [10] The 1946 plan required that 1,500 manufacturing plants be dismantled, lowering German heavy industry to 50% of its 1938 level. Furthermore, German steel production was capped at 25% of prewar production, or 5.8 million tons per year, while car production could not exceed 10% of prewar levels.[11] While the Americans sought to “create a sense of freedom” in the German people, they permitted no opportunity to practice free enterprise.[12]

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[7] Ibid., 193.
[8] Alt and Schneider, “West Germany’s ‘Economic Miracle’,” 46.
[9] Chamberlain, “Snappy Comeback.”
[10] Tony Judt, *Postwar: a History of Europe Since 1945* (New York: Penguin Press, 2005), 105.
[11] “Cornerstone of Steel,” Time 47, no. 3 (January 21, 1946): 26.
[12] “Progress (?) Report”, 33.

However, within the first few years, the Allied powers realized that the cost of underwriting German poverty with subsidies was too great, and while the American-funded Marshall Plan to revive the Western European economies propped up French steel industries and outlined long-term liberalization throughout Europe, the German coal mines, which for decades had powered French steel, stagnated. Germany received only 10% of the total Marshall Plan funding, helping to spark the creation of a West German state based on American social and economic values but only mildly accelerating industrial production.[13] All parties would benefit if refugees could be used to work the factories and fund their own sustenance, while German industry should be the bulwark against Soviet competition. Germany, they realized, had to produce again, given not only the integrated European market, but also recognizing that a strong, free West German would be the strongest ally against communism in the burgeoning Cold War.[14] Thus, in 1947, the US pulled back from its former policy of taking no action to economically rehabilitate Germany, instead asserting that "an orderly, prosperous Europe requires the economic contributions of a stable and productive Germany," and raising steel production limits from 5.8 to 12 million tons per year.[15]

Inflation persisted. After the combination of the American and British zones (the "Bizone") in June 1948, the old Reichsmark was thrown out by Ludwig Erhard, the "chubby, cigar-smoking, enormously energetic" Director of Economics for the Bizone. [16] Erhard, well known for his creation of West Germany's welfare-based social market economy, had gained prominence first as an economic consultant to the American Armed Forces, and then as the Bavarian Economics Minister. After the creation of the Bizone, he was appointed to chair a

[13] Jürgen Weber, *Germany, 1945-1990: a Parallel History* (Budapest ; New York: Central European University Press, 2004), 22.
[14] Judt, *Postwar*, 98.
[15] "Pas de Pagaille!," *Time* 50, no. 4 (July 28, 1947): 19.
[16] William Chamberlain, "Germany's Economic Miracle in Danger," *The Freeman : Foundation for Economic Education* 12, no. 12 (December 1, 1962): 30.

special committee dedicated to determining the best way to introduce currency reform, meaning that when he was elected to be the Director of Economics in 1948, he immediately took action.

The Reichsmark was replaced by the new Deutschmark, with which goods could be purchased at reasonably low prices determined by complex, leftover Nazi price and wage controls. American and British advisors championed this controlled system, and the West German economic administration was forbidden from manipulating any of these controls without Allied permission. However, while the currency reform immediately succeeded in harnessing inflation, the controls artificially dictated the market, restricting future growth. When Erhard noticed that no ban existed on simply eliminating the entire system, he "made a bonfire of all the wage and price restrictions."[17] Immediately, prices rose. Trade unions struck, concerned that their wages would plummet.

Furthermore, the currency reform incensed conflict between Soviet and Western powers. When the French, British, and American zones implanted Erhard's reform, the Soviets balked, since the stabilization of Germany ran contrary to the Soviet goal of maintaining a weakened Germany. In protest, the Soviets withdrew from the Allied council, and unsuccessfully attempted to prohibit Deutsche Marks in Berlin in favor of their own "Ostmark." However, the British, French, and Americans refused to accommodate Soviet interests, and on 24 June, the Soviets cut off all land and water transport into Berlin and denied food and electricity to Germans outside the Soviet section of the city. The Western Powers thus decided to reach the West Berliners via an airlift, throwing the heightening disparity between Western and Soviet interests into sharp relief. The Berlin Blockade lasted from June 24, 1948, until May 12, 1949, and crystallized the divisions of both Berlin and of Germany into East and West.

Soon after the currency reform, however, prices normalized in West Germany, as Erhard encouraged the free import of foreign goods to jumpstart the consumer economy, catalyze

[17] Ibid., 30.

competition, and increase confidence. Furthermore, all Allied restrictions on production were lifted on May 5, 1955. The economy normalized, albeit with high unemployment, and with a new currency, a liberalized market, and the capitulation of Allied resistance to German reindustrialization, the Economic Miracle was born.

The 1950s: From The Economic Miracle To Labor Shortages

With newfound stability, the West German economy bolted forward through the 1950s. Since prewar Germany had enjoyed highly developed industry and skilled workers, postwar West Germany did not have to, for example, completely relearn the basics of a free market economy or how to build a factory. Although contemporary publications cited the "German discipline for hard work" as a leading cause of the Economic Miracle, economic policy and conditions set the pace for growth.[18] As private and public German companies replaced war-damaged facilities, they were able to replace outdated factories or utilities with more modern, more efficient, and more useful physical capital, automatically augmenting the competitive power of the country. The division of Germany and exclusion of Soviet-occupied East Germany, meanwhile, further helped jumpstart the West German Economic Miracle, as West Germany "overnight shed practically all its backward regions."[19]

At the same time, the burden of refugees turned into an advantage once Germany was free to reindustrialize. Called "pacemakers" for the new economy, refugees and expellees from territories annexed by Poland, Soviet Union, and from the Sudeten region of Czechoslovakia brought with them the generations of accumulated expertise and trade knowledge from their

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[18] Chamberlain, "Snappy Comeback."
[19] Alt and Schneider, "West Germany's 'Economic Miracle'," 51.

former homes, and filled the gaps in the labor force left by war casualties.[20] Furthermore, over 3 million Germans fled the Soviet-controlled East Germany before 1961. Out of a total population of 52 million, the roughly 10 million refugees—20% of the population—formed a huge pool of cheap labor, keeping the wage leverage of the home labor force in check and allowing record-high industrial profits to be reinvested as new capital stock. More than 90% of the population growth between 1950 and 1960 occurred because of the migration of refugees and displaced persons, who were nearly instantaneously snapped up and integrated into the German economy. As gross national product doubled in the same amount of time, the Economic Miracle and mass migration into Germany formed a feedback loop, as each phenomenon allowed the other to grow even further.[21] By 1950, most Western European nations faced full employment and labor shortages due to a sharply reduced postwar labor force and expanding industrial trade volumes; Germany, meanwhile, maintained roughly 10% unemployment, even though over two million new jobs were added to the economy between 1947 and 1952.[22]

West Germany continued to grow. Industrial output tripled between 1948 and 1953; foreign trade increased fourfold; the new Deutschemark became one of Europe's firmest currencies; and US aid was nearly eliminated, with continuing aid mostly going to West Berlin. Consumption ticked up 40% from 1948 to 1952, above prewar standards, as more autos travelled more places, and almost half a million homes (apartments and houses together) were built per year. Germany again became Europe's biggest producer of coal, steel, and machine tools to Western Europe, and firms were increasingly confident: Krupp, one of the largest steel producers, was even planning on building a bridge across the Bosporus to Turkey, given that Germany, as Turkey's largest trading partner, made up 25% of Turkey's foreign trade.[23] In fact, Germany

[20] Chamberlain, "Germany's Economic Miracle in Danger."
[21] Herbert, *Geschichte der Ausländerpolitik in Deutschland,* 194.
[22] Alt and Schneider, "West Germany's 'Economic Miracle'," 51-52.
[23] Chamberlain, "Snappy Comeback."

recorded its first-ever year of more exports than imports, recording a positive trade balance of $180,400,000 in 1952.[24] By 1959, Germany was exporting 2.5 times more than it had in 1936. To contextualize this boom in the wider European setting, Germany's industrial production increased 125% through the 1950s, while, during the same period, France's grew 79%, US's 41%, and Britain's only 30%.[25]

Postwar West Germany's economy was particularly well suited to the needs of the postwar western world, and its heavy industry, machinery, and chemical manufacturing boomed during the Korean War. With the need for government-funded military spending completely obviated by first the ban on German rearmament and then the placement of German remilitarization under the political and budgetary control of the Allied forces, German factories focused exclusively on export, consumer, and investment goods, prodding the economy to a trade surplus.[26]

However, unions, civil servants, and people's representatives became anxious as to what would happen when the economy reached full employment. Erhard, now the Economics Minister in Konrad Adenauer's cabinet, had been conceptualizing options for recruiting foreign workers specifically for agriculture and underground coal mining since the early 1950s.[27] In anticipation of potential shortages as Germany grew beyond its former labor surplus, Konrad Adenaur, Chancellor of West Germany, offered free transport to any Italian worker willing to come to Germany.[28] This agreement with Italy, signed by the Chancellor on December 22, 1955, was sealed when unemployment had fallen to 4% (from 10% only a few years earlier.) Initiated when the Italian government became concerned about mass unemployment in the largely agricultural

[24] Chamberlain, "Snappy Comeback."
[25] Alt and Schneider, "West Germany's 'Economic Miracle'," 49.
[26] Ibid., 53.
[27] Jan Schneider, *Modernes Regieren Und Konsens: Kommissionen Und Beratungsregime in Der Deutschen Migrationspolitik*, ed. Rita Süssmuth, 1. Aufl. (Wiesbaden: VS Verl. für Sozialwiss., 2010), 113.
[28] Judt, *Postwar*, 334.

north, the agreement intended that between 100,000 and 200,000 Italians migrate to Germany when needed, in order to offset not only the increased production expected with rearmament, but also to bridge the gap in the labor force with the mandatory yearlong military draft came into effect.[29]

Germany, however, still faced unemployment, and media coverage of the bilateral talks caused outrage. Total unemployment still felt high and varied starkly based on region—in short, native Germans were not willing to move from place to place—although average male unemployment was only 1.8%.[30] In response, the labor ministry claimed that guest workers were to be a "prophylactic measure" against the threat of full employment, while the Social Democratic Party (SPD), the labor unions, and most of the Christian Democratic Party (CDU) agreed that "the last German worker must first be employed before we even think of importing foreign labor."[31] As such, when the agreement was signed around Christmas of 1955, its pull was remarkably lethargic: the number of Italians employed in West Germany swelled by only 12,000 from 1955-1957, since demand in the labor market was still weak due to excess supply.[32] Indeed, in the course of the 1950s, over 750,000 native Germans permanently migrated to non-European countries, such as Canada, the US, and Australia.[33]

1959-1961: Supplying the Gap

Two years later, however, the situation drastically reversed. The week of October 19, 1959, 187,199 Germans looked for jobs, while 350,393 jobs were unfilled. One auto

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[29] Herbert, *Geschichte der Ausländerpolitik in Deutschland,* 202.
[30] Ibid.„ 203.
[31] Ibid., 203.
[32] Schneider, *Modernes Regieren Und Konsens*, 114.
[33] Jochen Oltmer, Axel Kreienbrink, and Carlos Sanz Díaz, eds., *Das "Gastarbeiter"-System: Arbeitsmigration Und Ihre Folgen in Der Bundesrepublik Deutschland Und Westeuropa ;*, Schriftenreihe Der Vierteljahrshefte Für Zeitgeschichte 104, 24-27.

manufacturer in southern Germany hired "every idle man within 30 miles not confined to a wheelchair," only to then offer competitors' employees substantial pay increases. Other employers gave bonuses to workers who recruited friends, some kept fulltime recruiters at the refugee processing centers—hiring about 7,000 working-age East German refugees per month—while others offered handsome year-end salaries, 40 instead of 44 hour work weeks, subsidized housing, and anything they could think of. In some factories, wages doubled, and then tripled, delighting Germany's competitors but frightening industrialists.

In dialogue with union representatives, the West German government established recruitment commissions to set up shop in Italy, taking care of medical tests and travel arrangements for applicants. In this context, Italian migration to Germany rapidly expanded, with a government-run recruiting office in Italy obtaining 15,000 Italians in 1959 alone in addition to the 10,000 who migrated independently, totaling 25,000 (more than double the flow from 1955-1957.) Greece and Spain joined Italy as official sending countries in 1960, and while 167,000 foreigners worked in Germany in 1959, their numbers tripled to 549,000 by 1961.[34]

Table 1: Unemployment Rate and Population Movements, 1955-1961

Year	*Unemployment Rate*	*Population Movements*
1950	10-11%	Between 10 and 12 million refugees and displaced persons (20% of population)
1955	4-5.6%	Beginning of Italian guest worker migration (initially slow)
1959	1-2.6%	Hiring East Germans at rate of 7,000/month 167,000 foreigners working in West Germany West German labor force shrinking due to draft, education, bargaining power, lower birth rate
1961	<1%	549,000 foreigners working in West Germany Roughly 13 million refugees and displaced persons (24% of population) Berlin Wall cut off flow of East German workers

[34] "The Body Snatchers," *Time* 74, no. 16 (October 19, 1959): 103.

However, the reservoir of guest workers shuttled into West Germany could barely keep up with booming labor demand. Full employment is not economically desirable if a country desires continued growth. With 500,000 jobs to be filled, only 100,000 unemployed (of whom most were deemed "unemployable") out of a workforce of 25,000,000, workers knew that no matter what, they would be hired. Abuse of sick pay became a regular topic of conversation, productivity slacked off without healthy fear of job security, and wages shot up out of balance: while wages grew 9% in 1960 and 10% in 1961, productivity grew just 6.5% and 3.7% respectively.[35] Furthermore, the government exacerbated the leverage of unions by stepping in to meet wage demands. When miners went on strike in the Ruhr region during the summer before elections, the state offered a subsidy to fund an 8% wage increase and prevent a continued strike. The "harassed" Minister of Finance Heinz Starke complained he could not keep a balanced budget with so many payroll demands, while Ludwig Erhard criticized trade unions and industry for cartel-like price and wage manipulation.[36] Germany would not under any circumstances consider deficit spending that would require printing excess money, given its history of hyperinflation, and could not afford to shrink the economy in order to create a more favorable balance of labor supply and demand.

Expanding industry was not the only determinant of labor supply. As quality of life increased, a number of factors came into play, choking the existing workforce. First, as many of the refugees from East Germany and former German territories worked skilled jobs before the war, they began to seek more specialized employment in place of unskilled factory jobs. Second, more and more Germans completed high school and sought higher education, delaying entry into the workforce. Third, with the mandatory military draft, a large portion of the male work force vanished for twelve months. Meanwhile, the extremely low birth rate during the war years meant

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[35] Chamberlain, "Germany's Economic Miracle in Danger."
[36] Ibid.

that fewer laborers were coming of age each year than previously; at the same time, the postwar baby boom meant that women were voluntarily leaving the work force.[37]

In 1961, despite over 13 million (24% of the population) refugees and displaced persons in the country, Germany finally hit full employment.[38] Meanwhile, flow of East Germans defecting to the West via Berlin suddenly ended. On the night of August 13, 1961, the construction of the Berlin Wall prevented the continued hemorrhaging of brainpower and laborers, which from 1950-1960 tallied over 3 million individuals.[39] With a widening chasm between labor supply and demand, it was time for Germany to advance its preventative migration policy.

The Case for Turkey

German-Turkish economic and cultural ties precede the postwar era. However, before Kemal Ataturk led Turkey in looking to the West to modernize, industrialize, and secularize, the Bosporus demarcated the curtain of European civilization. The Ottoman Empire, the Turkish Republic's forefather, had always been Europe's "other." .[40] Then, once the Empire destabilized in the eighteenth century, European diplomats squabbled over the "Eastern Question," or how to divvy up former Ottoman territories. Nevertheless, after Turkish defeat in World War I, the final overthrow of the Ottomans, and Ataturk's pivot towards the West, Turkey earned a seat at the European table due to its strategic geographic location during the Cold War. A major contributor of NATO soldiers, Turkey also hosted American military bases and missiles as part of the *cordon*

[37] Schneider, *Modernes Regieren Und Konsens*, 115
[38] Herbert, *Geschichte der Ausländerpolitik in Deutschland,* 194.
[39] Schneider, *Modernes Regieren Und Konsens*, 115.
[40] Judt, *Postwar*, 765.

sanitaire to contain Soviet threats. However, Turkey did not passively accept the Western presence, instead deploying ambassadors to Moscow and Paris alike. Turkey played the dual powers off of each other, receiving millions of US government aid in exchange for the UN selectively ignoring some problematic aspects of Turkey's dictatorship and violations of minority rights.[41]

At the beginning of the twentieth century, Turks already migrated to Germany in relatively large numbers. The military sent young Turks to complete industrial apprenticeships or learn to be doctors and engineers in Germany: essentially, Turkey capitalized on Germany's advanced educational system, increasing the specialized knowledge of working Turks. Meanwhile, the very first "guest" workers began arriving in Germany, although not because the German Empire experienced a labor supply gap. German import taxes on cigarettes protected the domestic market, incentivizing Turkish entrepreneurs to open factories throughout the Empire to evade this tariff by manufacturing cigarettes within the borders, while still sending profits back to Turkey. Then, the companies would import Turkish workers, since factors of production relied on the Turkish language and accumulated experience from working in the cigarette factories in Turkey.

Although this first case of guest worker migration was small scale, other industries began to realize the utility of foreign labor to power low-skill, low-wage employment. In Berlin, for example, only roughly 300 Turks lived in the city at the turn of the century. By 1906, the number rose to 662, by 1910, 1162, and by 1917, there were 2046—6.8 times more than before. Throughout the Great Depression, meanwhile, migration stabilized, and due to unemployment, the total floated between 1200 and 1900. By 1933, the number sank to 585. Once industry

[41] Judt, *Postwar*, 766.

stabilized under the Nazi economy, employment steadily rose to a peak of 3310. However, by 1946, when the city began to sweep up its rubble, only 79 Turks remained in the city of Berlin.[42]

After the world market settled in the immediate postwar years, the Republic Turkey and the Federal Republic of Germany experienced the 1950s from fundamentally different perspectives. While Germany blossomed, Turkey stagnated. Since the 1930s, the "honeymoon phase" of Ataturk's Western orientation faded, as systems of artificial price levels supplanted free market ideology.[43] Ataturk had expected the capitalist spirit and "invisible hand" to captivate his reformed Turkey, but by the 1950s, special interests, political favors, and protectionist regulation prevented non-governmental business owners from holding any substantial market share. From 1950 to 1955, economic growth fell from 13% to 4%, while the trade deficit increased eightfold—the Turkish government increased its spending tremendously while its income declined.[44] Realizing this decline, the ruling Democratic Party subsidized and supported agriculture and private industry, allowing a brief upward tick in productivity as more rural workers purchased tractors, planted more land, and as the government funded a massive expansion of the paved road system.[45] By the mid-1950s, however, expectations soured, as lagging production, high inflation, and price controls stymied profit. Inflation hit hard due to the fact that it made every Turkish lira worth less, which was exactly the intent of the Democratic Party: they sought to decrease the value of their budget and trade deficit. However, this also made the power of each Turk's wages decrease, hurting consumption throughout the economy. Simultaneously, with increased agricultural mechanization came increased unemployment as

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[42] Martin Greve et al., *Das türkische Berlin* (Berlin: Ausländerbeauftragte des Senats, 1998), 9-11.
[43] Greve et al., *Das türkische Berlin*, 12.
[44] Erik Jan Zürcher, *Turkey: a Modern History*, Rev. pbk. ed (London ; New York: I.B. Tauris : [Distributed by St. Martin's Press], 1997), 239.
[45] William M. Hale, *The Political and Economic Development of Modern Turkey* (New York: St. Martin's Press, 1981), 86.

fewer workers were needed to achieve the same production level, and with higher rural unemployment, domestic migration from the countryside to Turkey's biggest cities skyrocketed.

The economic system was broken largely due to political mismanagement. Turkish politicians tended to finance new plants not in areas of economic need, but in electorally essential districts to secure votes. Sugar, cement, and other goods would be produced at costs up to double the industry standard simply to appease a constituency, and these goods would then be exported at a loss to Turkey's trading partners. In the middle of the decade, costs became so artificially high that the maximum legal prices of sugar and cement were far below production expenses. Parallel to increased production costs came rampant inflation, as Turkey paid its debts by devaluing its currency and as mandated wage increases encouraged a higher price level. To increase workers' buying power, the government attempted to force employers to pay higher wages. However, since everyone knew that the hike in currency was due to the government printing more money, prices went up. Thus, the total effect was not an increase in purchasing power, but rather a increase in prices that kept the purchasing power of each inflated Turkish lira constant. An automobile that cost $4000 in 1953 cost $15,000 in 1956, while interest rates rose from 3% to 4.5%, making it more expensive to borrow money and discouraging investment. With higher rates, an entrepreneur who wanted to take out a loan to start a small textile factory had to pay back more to the bank, which effectively discouraged this kind of borrowing. Hoarding and black market trading stood in for normal consumption patterns as cash became untrustworthy.[46]

Beyond political confusion, the main problem in Turkey's economy was structural: Turkey could not produce the goods it needed to consume, thus maintaining an unfavorable trade balance. Every year, Turkey paid more to foreign countries for imports than they received in exchange for exports. In the early postwar years, West Germany served as Turkey's largest

[46] Seyfettin Turhan, "Output In Turkey Makes Few Gains: Investment in New Industry Has Still to Give Return --Inflation Grows Hoarding Increases Trend of Trade Shifts," *New York Times*, January 4, 1956, sec. International Financial & Business Review.

trading partner: Germany provided a quarter of Turkish imports and absorbed almost a quarter of Turkish exports in the early 1950s. However, in 1954, the Bonn government cancelled a contract to import Turkish wheat on grounds of subpar quality and late delivery, and Chancellor Konrad Adenauer denied export guarantees to West German companies with a market presence in Turkey. Simultaneously, Ankara took a protectionist approach to economic stability, banning the import of finished German goods (but allowing spare industrial parts).[47] For the Turkish budget, already limping with a trade deficit, such protectionist policy only hurt their own productive economy. When Adenauer visited Turkey and Greece in March of 1954, the concerns escalated to the political level, as the Western press almost unanimously lampooned the Turkish government for the failures of stabilization.

Meanwhile, although quality of life improved through the 1950s due to increased access to consumer goods, better-quality food, and enormous volumes of direct foreign aid, the US refused to continue this injection of aid through 1958. Thus, Minister President Adnan Mederes travelled to Bonn to meet with Adenauer and pursue direct economic help from West Germany. Economists in Germany disagreed with the principles of direct foreign aid: instead, they called on Menderes to stop printing money to finance deficit spending, to stop generously awarding credit based on political allegiance, and to open the market to more exports.[48] In other words, German economists looked to their own precedent of policy in the Economic Miracle and advised Turkey to do the same.

Some opinion pieces took a harsher view: in a political editorial written in December 1960, Social Democrat economist Fritz Baade asserted that the "developing countries simply need to learn how to work." Marshall Plan funding, he continued, is ineffective without a proper

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[47] "Bonn Trade Loss Disturbs Turkey: Officials in Ankara Feel Adenauer's Visit in March Is the Only Remedy," *New York Times*, February 14, 1954.

[48] "Die Türkei Überfordert Sich Selber," *Die Zeit*, July 31, 1958, http://www.zeit.de/1958/31/die-tuerkei-ueberforderte-sich-selber.

labor supply, and in countries such as Turkey, most agricultural villagers only work a few weeks out of the year. In this down time, they should be hard at work repairing infrastructure, optimizing irrigation, preventing erosion, and filling the gaps in industry. Baade admitted that such a model is only possible with a "militarily-organized work service," but nevertheless blamed poor labor utilization and lack of initiative for Turkey's failures.[49] In other words, Turks needed to learn the German work ethic. Meanwhile, the Soviet Block was perceived by West German press to be trying to "coddle" Turkey into an economic alliance, and as the ruling Turkish Democratic Party began to fear instability, they began to dismantle opportunities for worker unrest by restricting the press.[50] In 1956, Turkey was still importing more per year from Soviet bloc countries than from Western allies. Again, the US realized its continuing interest in maintaining a strong—but subordinate—Turkey.

While politicians bickered and the economy lagged, the Turkish population exploded. The total population more than doubled from 1927 to 1965 (13.5 million to 31 million people respectively), and with the above-mentioned increase in agricultural mechanization and infrastructure, a tide of rural-to-urban domestic migration played into the gradual restructuring of the Turkish labor market.[51] Throughout the 1950s, wage earners as a percentage of the economically active population grew from just 10.8% to 18.8%, compounding a shift away from agriculture.[52] In the context of the booming population, however, despite industry healthily growing approximately 8% per year as a percentage of gross national product (GNP,) per capita, GNP was only growing 3.4% annually. Thus, although Turkey was one of the most populous European countries, it tallied the lowest per capita GNP on the continent.[53] Mass unemployment,

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[49] "Die Entwicklungsländer Müssen Arbeiten Lernen," *Die Zeit*, Dezember 1960, sec. politik, http://www.zeit.de/1960/51/die-entwicklungslaender-muessen-arbeiten-lernen.
[50] Hale, *The Political and Economic Development of Modern Turkey*, 90-96.
[51] Greve et al., *Das türkische Berlin*, 15.
[52] Hale, *The Political and Economic Development of Modern Turkey,* 99-100.
[53] Ibid., 109.

cited in virtually every government document and newspaper article, also became a present social problem. Due to lack of data collection, however, no reliable record or guess of unemployment before the 1970s exist. Nevertheless, we do know that almost 50% of Turkey's industrial capacity remained unused, and that even most employed workers spent the majority of their lives seasonally unemployed due to agricultural seasons.

Thus, the path to a mutually beneficial labor migration program was fully paved by the end of the 1950s. From the demand side, by 1960, German desperately needed more labor to continue growing, and began to hit the ceiling of possible growth. Growth rates in textile and clothing industries lagged behind previous years, steel mills produced 1.5 million fewer tons of steel in 1958 as in 1957 (23 million after a record-setting 24.5 million), while unemployment was 11% lower than it had been the year previously. Popular consumer goods, such as automobiles and TV sets, continued to set production records, but heavy industry felt the lag. The era of expansion was deemed over, and the 1960s were expected to be an era of normalization.[54]

From the supply side, Turkey desperately needed a safety valve. High unemployment led to high social unrest, as Turkish citizens became increasingly unhappy with their economic prospects and life under the Democratic Party, which had failed to live up to its promises through the 1950s. On May 27,1960, the military overthrew Menderes's regime, purging the Turkish government of its latent politicians, arresting high-profile ministers and presidents, and forcing thousands of officers, professors, generals, and judges into retirement. After puppet trials and the execution of Minister President Menderes, the Minister of Foreign Affairs, and the Minister of Finance, the power was handed from the military back to the civilians, and a new strategy based on free markets and a return to secularization was put forth in a new constitution.

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[54] Edmund K Faltermayer. "German Slowdown: The Nation's Roaring Boom Flattens Out at An Inconvenient Time"*Wall Street Journal (1923 - Current File)*, December 31, 1958, sec. 1.

The Run-Up to Negotiation

Before the military coup, the Turkish government had aggressively been pursuing a deepened alliance with West Germany. Experiencing profound growing pains through attempted Westernization, Turkey looked to West Germany as a model due to its “moral, civilizing, and technical outlook.”[55] The Menderes regime lobbied West Germany to allow Turkish apprenticeship programs, and in 1957, 150 Turks completed vocational training in West Germany on the official invitation of German President Theodore Heuss. Meanwhile, West German businesses and institutes recruited non-German labor through their own resources, such as the Institute of World Economy at the University of Kiel, who in 1956 officially requested Turkish immigrant workers as volunteers for vocational training.[56] Over the next few years, before the overthrow, migration to West Germany steadily rose: about 200-300 Turks registered each month at the Central Office for Job Placement in Frankfurt am Main, while the West German consulate in Istanbul noticed a consistent uptick in visa applications.[57]

When the military overthrew Menderes, out-migration immediately fell. The government was wary of appearing out of control, and given political instability, the provisional government feared a brain drain and restricted workers’ ability to leave. In September of 1960, the provisional government formulated Five-Year Plans for economic growth, contingent on a return to free market industry, an improvement of the inflationary situation, and tighter ties to NATO and Western allies. However, individual citizens continued to migrate, and the Turkish government decided to capitalize on the situation. Turkey still sought a quick fix for unemployment, capital to fund rural development, and educational possibilities to train workers in industry, and decided

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[55] Heinrich Dreyer, expert on Turkey for International Labor Organization, 1956, quoted in Karin Hunn, *“Nächstes Jahr kehren wir zurück--”: die Geschichte der türkischen “Gastarbeiter” in der Bundesrepublik* (Göttingen: Wallstein, 2005), 35.

[56] Jennifer A. Miller, “Postwar Negotiations: The First Generation of Turkish ‘Guest Workers’ in West Germany, 1961--1973” (Ph.D., Rutgers - New Brunswick, 2008), 14.

[57] Hunn, *Nächstes Jahr kehren wir zurück--*, 36 – 44.

that a limited program of labor migration would invigorate the economy through wage remittances, personal investment, and a more skilled labor force.[58]

Thus, on December 12, 1960, the Turkish Embassy sent an official *Note Verbale* to their German counterparts, requesting to "place the increasingly spontaneous entry of Turkish citizens into the West German workforce within an orderly basis"[59] German companies—particularly those in heavy industry—were increasingly pressuring the West German employment office to expand the quotas for guest worker migration. The Bonn government, however, hesitated to establish further treaties after securing guest worker treaties with Spain and Greece in 1960 in addition to the treaty with Italy from 1955. [60] Nevertheless, West Germany had an inflexible demand for more workers, and it was indisputably cheaper to simply import more man-hours than it would be to re-engineer and modernize automation in factories to reduce labor demand. Furthermore, the German government was acutely aware of illegal migration, and vastly preferred an official treaty in order to better control the kind of applicant allowed into the country, permitting them to demand health checks, interviews, and short-term visas. Thus, in February of 1961, the German Ministry of Foreign Affairs officially proposed the creation of a bilateral labor commission in Istanbul to coordinate the negotiation of a migration treaty. [61] Dubbed a "liaison office," this commission set up in July of 1961 and would be responsible for securing concrete employment offers from German companies and selecting healthy, "vocational" Turks to send abroad.[62]

[58] Ibid., 48 – 50.
[59] Şeyda Ozil, Michael Hofmann, and Yasemin Dayıoğlu-Yücel, *51 Jahre Türkische Gastarbeitermigration in Deutschland*, Türkisch-deutsche Studien : Jahrbuch 2012 (Göttingen: V & R Unipress, 2012) 25.
[60] Hunn, *Nächstes Jahr kehren wir zurück—,* 50.
[61] Ibid., 53.
[62] Ozil, Hofmann, and Dayıoğlu-Yücel, *51 Jahre Türkische Gastarbeitermigration in Deutschland*, 26.

Through the summer, West Germany maintained its reticence to support a major influx of guest workers. However, on the night of August 13, 1961, the building of the Berlin Wall obviated arguments to prevent new migration, as overnight, the constant stream of East German refugees was completely choked off. This, in combination with an unemployment rate less than 1% and a record low of Germans permanently migrating away from West Germany (tallying 30,000 in 1961), drove West Germany to officially seal the "Rules for the Placement of Turkish Employees in the Federal Republic of Germany" on October 30, 1961, in Bad Godesberg.[63] The Liaison Office in Istanbul opened its doors, and before the end of the year, the number of Turks in West Germany rose to 7,000.[64]

The German-Turkish treaty differed from previous agreements, such as with Italy, Greece, and Spain, in that West Germany crucially agreed to pay social benefits to the Turkish citizens living and working in Germany. While Italy, Greece and Spain had a social security system, Turkey did not, and the West German government agreed to cover benefits including welfare and child support payments. Furthermore, Bonn assured Ankara that all guest workers would be granted equal pay for equal work (however, the definition of "equal work" would later become a sticking point in union negotiations.)[65] The workers themselves would be sent on two-year work visas under a "rotation principle" that would prevent any one worker from establishing too deep of roots in West Germany. From the German perspective, the Turkish guest worker force had to be flexible, so that if the market took a nosedive, the West German government could simply revoke visas and cancel recruitment, and the individual workers would quickly disappear back to Turkey: in this sense, the agreement prioritized "importing man-hours, not

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[63] Oltmer, Kreienbrink, and Sanz Díaz, *Das "Gastarbeiter"-System,* 25.
[64] Miller,"Postwar Negotiations," 11.
[65] Ibid., 12.

families."[66] Yet the agreement continuously termed migrant labor not *Fremdarbeiter*, or foreign workers, which euphemistically denoted forced labor during the Third Reich, but rather *Gastarbeiter*, or guest workers, referring to an official status as guest of the host nation.[67]

Some flexibility on visa duration was left open for particularly skilled guest workers. Employers disliked having to continuously retrain their workforce, and for highly specialized positions, employers could endorse migrants for visa extension.[68] Essentially, the treaty was written from the demand perspective: German companies notified the German Federal Employment Office of their labor demand, who relayed the numbers and required skills to the branch recruitment offices in Turkey, who interviewed candidates based on how their skills matched the jobs available, who then reported back to Istanbul or Ankara, and who were sent to work in West Germany based on their skills, age, education level, physicality, and even positive attitude.[69]

Thus, as political motives overlapped with labor supply and demand, the large-scale migration of Turkish workers to West Germany officially commenced. However, the whole story of guest worker migration was not just one of a mutually beneficial transplant of excess labor from the sending country to a hungry, stretched host country. Individual Turks chose to take out loans or days off of work to travel to a recruitment office in either Ankara or Istanbul; they fought through the months-long application process of physical checks and personal interviews with no guarantees; and ultimately boarded trains to travel across the Bosporus, hoping to learn how to get rich in German industry. In the next chapter, this motive will be examined from an economic and logistical perspective via wage differentials, industrial geography, and comparative potential,

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[66] Suzanne Paine, *Exporting Workers, the Turkish Case*, Occasional Paper / University of Cambridge, Department of Applied Economics ; 41; Occasional Papers (University of Cambridge. Dept. of Applied Economics) ; 41 (London: Cambridge University Press, 1974), 6.
[67] Hunn, *Nächstes Jahr kehren wir zurück--*, 57.
[68] Paine, *Exporting Workers, the Turkish Case*, 10.
[69] Miller,"Postwar Negotiations," 44.

nestled in context of the boom-and-bust 1960s, the exponential takeoff in recruitment, and fundamental question of if the guest worker program was effective in the short-run of increasing the productive capacity of West Germany while alleviating the stress on Turkish unemployment.

Chapter 2

The Macroeconomy and Trends in Guest Worker Migration Through the 1960s

While Chapter 1 detailed the creation of the labor supply gap and the negotiation of the 1961 Turkish-German guest worker treaty, Chapter 2 seeks to investigate the circular relationship between the West German macroeconomy and trends in guest worker migration. One on hand, the powerful West German macroeconomy demanded more labor than could be provided by the native working population, which enabled millions of guest workers (in particular Turks) to migrate from their home countries to West Germany on a temporary basis. On the other hand, the migration of millions of guest workers enabled a further expansion of the macroeconomy by making additional investments in productive capital worthwhile. This feedback loop cemented the role of guest workers in the West German economy and facilitated further growth in wages, standards of living, and labor demand.

While Chapter 3 will test the hypothesis that a guest worker program during a labor shortage allows wage growth through an economic analysis, this chapter will provide the historical analysis to understand the program's context. Thus, I will first contextualize the takeoff of guest worker migration in the early 1960s in the West German macroeconomy and the mechanics of how foreign individuals made the decision to register at an Employment Office and move abroad to find work. Then, in order to understand why Turkey became the largest sending nation of guest workers in the mid-1960s, I will explore the circumstances and stagnation in the Republic of Turkey through this same time period.

However, the causes and effects of guest worker migration were neither uniform nor direct, and this chapter will then seek to extract the enormous and dominating effect of an economic supply-demand model from the pure intention of international policy. This intertwining of motives manifested itself in various ways: for example, although Turkey did not want to create a permanent brain drain of skilled men and women nor did West Germany want to create a permanent ethnic minority of Turkish workers, the "rotational principle" discussed in Chapter 1 broke down during the 1960s against the will of both host and home nation. Moreover, since factories paid female laborers a lower wage for the same work as male laborers, West German industries preferentially hired female guest workers and tended to fire male foreign employees before firing either female foreign employees or native employees of either gender.

Finally, to close out the decade, I will discuss the impact of the 1967 economic downturn in West German on not only the raw numbers of employed guest workers and their wages, but also on a nascent public debate over the social and political aspects of labor migration. Prominent economists and politicians began to question the enduring role of guest workers in the West German economy, while the ethnically—and religiously—distinct Turkish minority began to fuel a xenophobic discussion of whether or not these imported "man-hours" could ever truly integrate. This transition marked the beginning of the end of the guest worker program, and by the time the 1973 Oil Crisis sparked an international recession, the Bonn government was prepared to officially revoke the 1961 treaty and permanently cease guest worker recruitment, despite the rhetoric of just a decade earlier, when the theory of temporary labor transfer earned its reputation as the gas pedal of economic growth.

The West German Macroeconomy Through the Early 1960s

The 1960s witnessed full employment across industrial Europe and were characterized worldwide by exploding consumerism, the Cold War arms race, and an increasing standard of living. Britain, France, Switzerland and West Germany all reported fewer unemployed persons than unfilled jobs, and real (non-inflated) wages doubled in the Federal Republic of Germany from 1952 to 1962. Combined with the Berlin Wall sealing the flow of East Germans to the West, the European industrial powerhouses needed new, external sources of labor in order for their economies to continue to grow. France imported Algerians from its former colony to help fill the gap, while Britain invited over a million Irishmen and some Caribbean migrants to work its factories. Switzerland brought in foreign laborers at an astounding rate: by 1962, the over half a million non-Swiss migrants comprised fully 10% of the total population. West Germany, meanwhile, pulled on the slack labor force in Southern Europe, and while the guest worker program trickled through the 1950s, the 1960s saw the flood.[70]

The West German native labor force, already shrinking when the guest worker treaties were signed in the late 1950s through early 1960s, continued to fall. Actual working hours fell by 2 hours per week from 1957 to 1962, costing the economy an estimated 13-14 billion DM. If all German workers had returned to working two more hours per week, it would offset approximately 800,000 workers—roughly the same as the number of guest workers. [71] However, this reduction in the work force was not just due to automation, which helped lower working hours from 44.4 hours per week in 1960 to 41.4 hours in 1967.[72] Social factors contributed strongly: Germans entered the workforce later as secondary school lengthened, military service

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[70] Arthur Veysey, "Labor Shortage Plagues West Europe: New Plants Compete For Skilled Help, Some Importing Workers," *Chicago Daily Tribune (1923-1963)*, July 29, 1962, sec 2.
[71] "Zeitraffer," *Die Zeit*, November 2, 1962, 44 edition, sec. wirtschaft, http://www.zeit.de/1962/44/zeitraffer.
[72] Ulrich Herbert, *Geschichte der Ausländerpolitik in Deutschland: Saisonarbeiter, Zwangsarbeiter, Gastarbeiter, Flüchtlinge* (München: Beck, 2001).

(first introduced in 1956) was extended from 12 to 18 months, and far fewer Germans were coming of age each year than previously due to the low birthrate during World War II.[73] While the German working population increased by 4.5 million individuals from 1950 to 1960, it only increased by about 500,000 from 1960 to 1965, and then hovered around 26.5 million workers through the decade.

Thus, between 1959 and 1965, the number of foreign workers in German increased to one million to help offset this decline. In addition to the 1955 treaty with Italy and the 1961 German-Turkish agreement, West Germany signed guest worker recruitment treaties with Spain and Greece in 1960, with Portugal in 1964, and with Yugoslavia in 1968. Thus, as seen in Table 2 below, as the German labor force decreased, the foreign labor force more than compensated:

Table 2: The Economy and Labor Markets in the Federal Republic of Germany, 1959-1968[74]

Year	Gross National Product in Billions of DM	Gross National Product in % change from previous year	Total Work Force in Millions	German Labor Force in comparison to 1959 in 1000s	Foreign Labor Force in 1000s	Foreign Labor in % of total work force	Unemployed in 1000s`	Unemployed as a % of all employed	Unfilled Jobs in 1000s
1959	283.8	+7.3	26.4	26253	166	.8	539	2.6	290
1960	328.4	+9.0	26.6	+121	279	1.3	270	1.3	645
1961	346.2	+5.4	26.8	+61	507	2.3	180	0.8	552
1962	360.1	+4.0	26.7	-147	655	3.0	154	0.7	573
1963	372.5	+3.4	27.0	-71	822	3.6	185	0.8	554
1964	397.3	+6.7	26.9	-250	932	4.1	169	0.8	609
1965	419.5	+5.6	27.7	-260	1164	5.5	147	0.7	648
1966	431.7	+2.9	27.1	-433	1314	6.1	161	0.7	539
1967	430.8	-0.2	26.6	-588	1023	4.9	459	2.1	302
1968	462.3	+7.3	26.7	-501	1014	4.9	323	1.5	488

Guest workers of all national origins were broadly credited as "indispensible" for continued growth. Newspapers such as *Die Welt* and the *Frankfurter Allgemeine* pointed to the

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[73] Gottfried E. Völker, "Turkish Labour Migration to Germany: Impact on Both Economies," *Middle Eastern Studies* 12, no. 1 (January 1, 1976): 45–72, doi:10.2307/4282582.
[74] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 208.

key conditions of guest workers that made them ideal for the workforce, with Germanys leading tabloid, *Bild*, going so far in 1966 as to say that guest workers were better employees than native Germans (not without receiving union backlash, however.)[75] Migrant workers held many advantages from a macroeconomic perspective: first, as most migrants were young, single men, they were extremely mobile. Even if individual workers did not easily move from producing coal in the Ruhr to manufacturing automobiles in Baden-Württemberg, for example, firms could simply not renew worker visas in the former and increase recruitment to the latter, so that within only a few months, the guest worker population would redistribute as stipulated. Furthermore, politicians and newspapers fully expected that, when the economy inevitably hit a speed bump, the guest workers could be sent back with little to no protest. Guest workers lived apart from most German families and did not develop roots in this early period. As reported in the German press, the goal of guest workers was to make as much money as possible in as short a time as possible. Therefore, foreign laborers were expected to and often did work more overtime, work dirtier jobs, and save as much of their earnings as possible. Meanwhile, by living and consuming in Germany, they stimulated domestic aggregate demand by buying products, kept prices down by sending wages abroad and reducing the West German money supply, and secured political ties with sending nations.[76]

The macroeconomic perspective was overall rosy. A 1961 *New York Times* report estimated that by 1970, Europeans would have increased their consumption of food, clothing, appliances, and travel by more than 60%, assuming that the Cold War would continue and that no major depression would "interrupt the flow of prosperity."[77] When the millionth guest worker arrived in the Federal Republic of Germany in 1964, the Minister for Labor and Social Affairs Theodore Blank endorsed the view that "these million people in German jobs ensure that our

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[75] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 209-228.
[76] Ibid., 206-213.
[77] David Anderson, "Prosperity at Peak In Western Europe," *New York Times*, October 30, 1961.

production continues to rise, that our prices are stable, and that our position in the world market is secure. The role of guest workers in the workplace will only become more crucial in the coming years."[78] Moreover, because guest workers plugged into lower-paying jobs, Germans were thus able to enter qualified or generally preferable career paths to, for example, coal mining: roughly 2.3 million Germans are estimated to have been promoted due to the presence of guest workers. Automation and modernization also promised better living standards for Germans: in 1964, the weekly magazine *Der Spiegel* interviewed an executive in metal production, who estimated that more efficient production would lower the work week from its 1964 level of 41.75 hours to only 35 hours in 1972. The lure of automation even drew popular expectations that by the mid-1970s, industrial jobs would be entirely displaced by machines.[79] Although the public got carried away in their hopes for future decades, the reality of rising production, a sinking native work force, and the ensuing explosion of imported migrant labor held through the 1960s.

As indexed in Table 2, wage increases continuously outpaced cost of living increases through this time period. Also evident is the observation that although the blip of the 1967 recession caused the index of total foreign workers to plummet, wages and cost of living remained steady, confirming the perception that foreign workers were a flexible labor source that could and would accommodate West German economic conditions. Furthermore, given that most workers were imported into positions requiring little skill, women increased in importance, since they could be paid a lower hourly wage for the same work than their male counterparts. In 1959, 14.5% of foreign workers were female, and by the 1970s, they made up about 30% of the foreign work force (See Table 4).

[78] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 210.
[79] "Sind 25 Stunden Genug?," *Der Spiegel*, January 4, 1964, http://www.spiegel.de/spiegel/print/d-46173389.html.

Table 3: Wages, Foreign Workers, and Price Developments in the Federal Republic of Germany, 1962-1971[80]

	Wages		Foreign Workers		Cost of Living	
Year	Index (%)	Change of Index	Index (%)	Change of Index	Index (%)	Change of Index
1962	100	--	100.0	--	100.0	--
1963	107	+7	116.4	+16.4	103.0	+3.0
1964	114	+7	138.5	+22.1	105.4	+2.4
1965	122	+8	171.0	+32.5	109.0	+3.6
1966	131	+9	184.6	+13.6	122.8	+3.8
1967	138	+7	139.3	-45.3	114.4	+1.6
1968	144	+6	153.1	+13.8	116.1	+1.7
1969	153	+9	211.0	+57.9	119.3	+3.2
1970	172	+19	274.0	+63.0		
1971	196	+24	314.8	+40.8		

Table 4: Foreign Workers by Gender in the Federal Republic of Germany, 1957-1973[81]

Year	Total foreign workers	Total female foreign workers	% of foreigners employed in the work force	% of females in the foreign work force
1957	108,190	19,325	0.6	17.9
1958	127,083	22,408	0.6	17.6
1959	166,829	26,542	0.8	15.9
1960	304,373	42,433	1.3	13.9
1961	490,517	71,288	2.5	14.5
1962	629,022	97,095	3.1	15.4
1963	773,164	147,249	3.7	19.0
1964	902,459	188,137	4.3	20.8
1965	1,118,616	266,866	5.3	23.9
1966	1,243,961	319,442	5.8	25.7
1967	1,103,862	386,654	4.7	35.0
1968	1,018,859	304,650	4.9	29.9
1969	1,365,635	406,717	6.5	29.8
1970	1,806,805	528,772	8.5	29.3
1971	2,128,407	610,987	9.8	28.7
1972	2,284,502	672,518	10.5	29.4
1973	2,487,270	749,012	11.2	30.1

[80] Völker, "Turkish Labour Migration to Germany: Impact on Both Economies," 59.
[81] Blitz, "A Benefit-Cost Analysis of Foreign Workers in West-Germany, 1957–1973," 483.

The Mechanics of Labor Recruitment: How Did Turks Come To Germany?

As discussed in Chapter 1, Turkey initiated the original 1961 treaty with West Germany in order to offset rampant domestic unemployment, while West Germany agreed to sign the treaty as it continued to face a stark labor supply gap despite existing guest worker treaties with Italy and other southern European countries. Crucial to the agreement was the stipulation that migrants could work at a specific job for at least one year, guaranteed. After that year, the employer could offer a visa extension. If a worker remained with the same employer for two years, the worker could apply to receive a new work permit that would allow him to take any job, not just one found by the recruitment office. In this sense, the longer the worker remained in West Germany, the more rights he received: after five years of uninterrupted employment, eight years of total residence, or after marriage to a German national, a foreign worker could stay and work for up to three years without any consideration of domestic unemployment rates. After ten years of residence, the worker would earn an unlimited work permit for the Federal Republic of Germany.[82] However, in practice, the two-year "rotational principle" dominated: the Federal Republic of Germany viewed guest workers as man-hours, not as individual people, and the Republic of Turkey did not want its skilled workers to develop deep roots abroad and never return.[83]

The application process stipulated that Turks register at the German Liaison office in either Ankara or Istanbul, the two largest cities in Turkey. If a Turk was already employed, the lengthy and expensive journey required missing several weeks of work. Meanwhile, families and communities often had to finance transportation and accommodation for unemployed Turks

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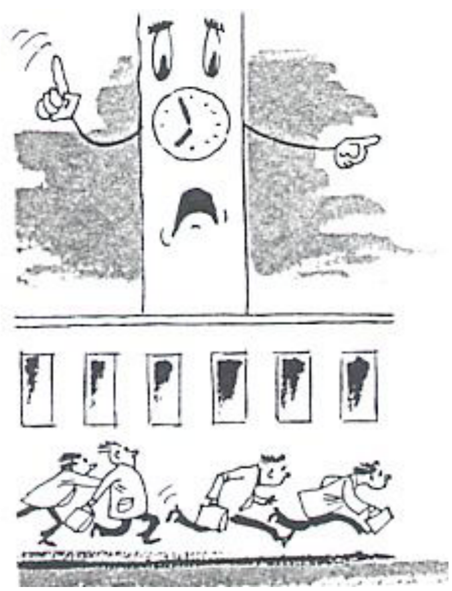
[82] Suzanne Paine, *Exporting Workers, the Turkish Case*, Occasional Paper / University of Cambridge, Department of Applied Economics ; 41; Occasional Papers (University of Cambridge. Dept. of Applied Economics) ; 41 (London: Cambridge University Press, 1974) (70).

[83] Karin Hunn, *"Nächstes Jahr kehren wir zurück--": die Geschichte der türkischen "Gastarbeiter" in der Bundesrepublik* (Göttingen: Wallstein, 2005) (60).

seeking better opportunities abroad while waiting for the Employment Office to a candidate's application. The application cost 181 Turkish Lira (equal to roughly $13 in 1963,) and given low average wages, workers would have to work 128 hours in Turkey to earn the equivalent to the application fee. Meanwhile, the same worker could earn the application fee in just 32 hours if they were working in West Germany. The incentive was clear. Most applicants paid for their journeys and stays in Ankara or Istanbul—as the wait between application and departure was between one and three months—by selling belongings or borrowing money. Over 640,000 men and women applied through these two offices during the recruitment period: others arrived through individual arrangements, overstayed tourist visas, or family reunifications.

Figure 1: "Don't Be Late!" *Hallo Mustafa*



However, according to the official publications of the German Labor Ministry, it was forbidden to find a job from a private person or office, ostensibly to prevent fraud. The Liaison Office was not primarily interested in finding an open position in Germany for a Turkish applicant; rather, its task was to find Turkish workers for open jobs in Germany. This subtle distinction meant that workers were at the mercy of market-driven demand cycles, so that if an employment offer was retracted, the worker was powerless. German companies informed the Federal Employment Office of guest worker quotas, the Liaison Office interviewed candidates, and invited candidates were then assigned a position based on age, education level, technical skills, physical condition, and attitude. [84]

[84] From Jennifer A. Miller, "Postwar Negotiations: The First Generation of Turkish 'Guest Workers' in West Germany, 1961--1973" (Ph.D., Rutgers The State University of New Jersey -

The Ministry also published booklets in Turkish detailing the living conditions in Germany and on what to expect, including a promising discussion on the opportunities of visa extension. In one booklet, titled “Hello Mustafa: A Heartfelt Welcome to Germany,” the Liaison Office emphasized that Turks and native Germans would “work and live side by side,” and included information on wages, the social security system in Germany, and in another pamphlet titled “Would You Like To Get To Know Germany,” detailed a somewhat revisionist assessment of West Germany’s role in ethnic persecution during World War II. Some booklets reminded Turks of the famous German work ethic, forbidding tardiness and even bribery of officials next to comic-book cartoon characters.[85]

By 1963, 800,000 total guest workers had arrived in the FRG—mostly from Greece, Spain, Italy, and Turkey—and still 600,000 jobs remained unfilled. Overwhelmingly, guest workers lived in employer-provided apartment complexes, often sleeping in bunk beds with up to ten people per room, but including subsidized rent and meals. This meant that the guest workers lived separately from their German counterparts: as noted in a 1964 *Der Spiegel* article, “there [was] no open hostility between guest workers and Germans, but also no friendship. They work together, but in the cafeteria, they sit apart. The Germans endure the foreigners, and assign them the work that they themselves would rather not do.”[86] Thus, the actual process and promise of life in Germany intentionally kept guest workers rootless and isolated: most Turks, given long

New Brunswick, 2008) (33-55) and Nermin Abadan-Unat, *Turkish Workers in Europe 1960-1975: a Socio-economic Reappraisal*, Social, Economic and Political Studies of the Middle East ; V. 19; Social, Economic, and Political Studies of the Middle East ; V. 19 (Leiden: Brill, 1976) (1-22).
[85] Jennifer A. Miller, “Postwar Negotiations: The First Generation of Turkish ‘Guest Workers’ in West Germany, 1961--1973” (Ph.D., Rutgers The State University of New Jersey - New Brunswick, 2008) (41).
[86] “Per Moneta,” *Der Spiegel*, July 10, 1964, http://www.spiegel.de/spiegel/print/d-46175674.html (54).

working hours and lack of social integration with native Germans, had little to chance to achieve fluency in the German language.[87]

The Turkish Macroeconomy Through the 1960s

While Germany chugged away at industrial expansion, Turkey held itself back as its planned economic development idled in an uncertain political environment. In 1963, agriculture employed 77% of the total labor force, accounted for over 80% of exports, and produced 41% of national income.[88] Furthermore, huge disparities in personal income across urban and rural regions negatively impacted consumer demand, and the country as a whole ran a substantial trade deficit: Turkey could not produce enough to purchase what it needed. In 1961-1962, the deflationary monetary policy of the interim government hurt business owners and exacerbated the deficit by making each Turkish Lira worth more, while an estimated 50% of industrial capacity lay idle.

The Turkish Constitution of 1961 sought to offset the growing trend of out-migration by guaranteeing political rights to the individual. Nevertheless, individual economic rights remained limited in favor of state planning, meaning that wages, industrial capacity, and educational opportunities did not substantially improve over the conditions in the 1950s. Unemployed agricultural workers who had migrated to the big cities in hopes of finding steady work did not find the their situation to be any better than under the mismanaged provisional government that had overthrown the Menderes regime in 1960, and therefore chose to continue on as guest workers in Western Europe.[89]

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[87] Martin Greve et al., *Das türkische Berlin* (Berlin: Ausländerbeauftragte des Senats, 1998) (16).
[88] Paine, *Exporting Workers, the Turkish Case*, 30.
[89] Eren, Nuri. "Turkey: Problems, Policies, Parties." *Foreign Affairs* 40 (1962 1961): 95.

To ameliorate this problem, the new Republic outlined a Five Year Plan for economic development to begin in 1963. The first Five Year Plan called for a growth rate of 7%, a transfer of production away from agriculture to industry, a massive diplomatic attempt to secure more international aid, and a planned high rate of inflation to help pay off Turkey's debt..[90] High inflation "monetized" their trade deficit, making each Turkish lira worth less and spreading out the cost of currency devaluation. This helped Turkey to actually achieve the targeted growth rate of 7% in the first year, even though industrial output continued to fall and the international community declined to provide the requested amount of aid.

However, increasing quantities of wage remittances sent to Turkey by guest workers did partially help to make up the difference by counting in the international trade account not as imports from Germany, but rather as higher disposable incomes in Turkey. Yet the mass exodus of working Turks to foreign countries was, on a macro level, entirely new, and the Turkish government imprecisely predicted the net economic effect of labor outmigration. While some population movements had occurred due to ethnic or religious conflicts in the early 20th Century, such as the deportation of Greek Christians in the Lausanne Treaty in 1923, those deported populations did not retain ties with Turkey, nor send back wages, nor add the education they received in Greece to the human capital of Turkey. In the 1960s, meanwhile, the Turkish government optimistically valued the potential economic benefits of a migration program. The First Five Year Plan declared that excess labor should be exported to help offset pooling unemployment—throughout this period, approximately 700,000 Turks entered the labor force, elbowing for only 400,000 open positions in Turkey—and to help relieve the pressure of an extremely high birthrate of 44 per 1000 in 1960. [91]

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[90] Paine, *Exporting Workers, the Turkish Case*, 30-31.
[91] From Abadan-Unat, *Turkish Workers in Europe*, 5-15, and Paine, *Exporting Workers, the Turkish Case.*

Thus, while only approximately 7,000 Turks lived in West Germany in October 1961, the number increased to 18,500 by July of 1962. Turkey concluded treaties with Austria in 1964, France in 1966, Sweden in 1967, and Australia in 1967, and in total, the Turkish government would officially send 790,000 workers to Europe between 1961 and 1973, of which 80.2% were sent to West Germany (615,827 Turks lived in West Germany in 1974). During this period, the German Liaison Offices in Turkey processed over 50,000 applications per year, and in total, chose roughly 160 Turks as guest workers for every 180-200 interviews they conducted.[92] However, despite this enormous interest in guest worker migration, the guest worker program did not solve the domestic unemployment problem overnight. Indeed, a relatively lower percentage of workers migrated than in other countries: while 13.6 per 1000 active workers in Greece migrated from their home country, only 3.6 Turks per 1000 migrated from Turkey due to the sheer size of Turkey's total population.

Turkey distinguished itself from the other nations which sent labor migrants to West Germany not only by having the lowest domestic per capita income of all sending countries and the highest rate of domestic growth in the labor force, but also, somewhat surprisingly, it sent the highest number of skilled workers. Initially, the demographics of migrants heavily favored single men with an average of 5 years of primary school education. Approximately 40.3% of Turkish workers learned their new trade in West Germany within 1 to 24 hours, 10% learned in 1-3 days, 13.6% mastered their new tasks within 1 week, 20.2 between 2-4 weeks, while only 9% needed 6 months or more. Overwhelmingly, most worked in manual labor, particularly in coal, steel, and heavy industry. By some estimates, the "physical and human capital endowment of the FRG

[92] Miller, "Postwar Negotiations," 31-32.

enable[d] it to turn an inexperienced Turk into a semi-skilled worker in a fifth or a sixth of the time and at a fraction of the cost it takes Turkey to do the same thing."[93]

The main feedback through the Turkish economy thanks to guest worker migration came in the form of remittances, or wages earned in the host country sent back to the home country. Over 45 million dollars were mailed back to Turkey from West Germany in 1964, increasing to 1.1 billion in 1973. Remittances grew rapidly due to the high proportion of skilled labor: until 1973, Turkey exported the highest number of skilled workers with almost no restrictions. In 1968, 26.4% of Turkey's qualified manpower exported their skills to Europe, and by 1971, 46.3% of skilled workers sought work elsewhere than in their native Turkey. This sudden influx of wealth led to increased consumption and imports in Turkey, creating a "boomerang" effect in the trade deficit: as Turkey industrialized thanks to the increased capital from remittances, Turks could afford more finished and luxury goods from Germany, meaning that Germany exported 175.3% more to Turkey in 1973 than in 1961.[94] Furthermore, the gap left by exported skilled workers allowed former unskilled and agricultural workers to enter industry, augmenting the effects of higher income throughout the Turkish economy. Thus, while remittances did allow for the growth of a consumer economy in Turkey, they did not offset the trade deficit by any substantial measure and arguably exacerbated Turkey's dependence on foreign production.

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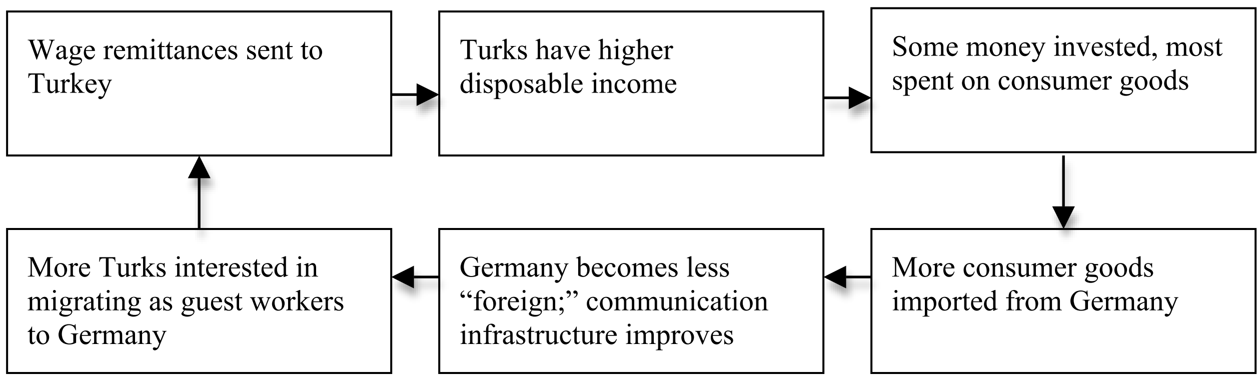
[93] W. R. Böhning, *Studies in International Labour Migration* (London [u.a.]: MacMillan, 1984) (184).
[94] Abadan-Unat, *Turkish Workers in Europe*, 23.

Figure 2: Feedback Mechanism Between Turkey and Germany



1964 Renewal: German and Turkish Long-Term Goals

In 1962, some officials in West Germany began to consider eliminating the standard 2-year rotational clause. In the eyes of West German firms, Turks made good, reliable workers, and employers did not like having to continuously retrain new guest workers. Turks were also more likely to be semi-skilled than other nationalities, and as guest workers were as yet staying nicely separate from everyday German life, the German Employer's Association lobbied the Bonn government to revise the agreement and allow for longer visa extension. However, the Turkish government saw a disadvantage to allowing its workers to migrate more easily. While most German firms recruited semi-skilled workers—in 1962, 46% of Turkish guest workers recruited through official channels were classified as "qualified," whereas 20% of Italians, 15% of Greeks, and only 12% of Spaniards met the same baseline—the Turkish government ideally wanted its unemployed, unskilled workers to spend a few years in West Germany, learn a trade, and return to Turkey and contribute to the domestic economy.[95] At heart, both West Germany and Turkey wanted to benefit from the educational infrastructure of the other. West Germany benefited from guest worker migration because it did not have to bear the social costs of raising these workers from infancy, while Turkey benefited from sending temporary migrants through their vocational expertise acquired abroad.[96]

From the Turkish perspective, government officials worried about the long-term exodus of skilled workers to foreign countries. However, it was nearly impossible for the Turkish government to truly prevent the hemorrhaging of skilled workers, as illegal immigration via overstaying tourist visas remained, in practice, always an option. Furthermore, the Turkish economy was admittedly overburdened by unemployment and population growth, reflected in the sheer volume of applications received by the Liaison Offices: in December of 1961, 62,000 individuals were already in process of applying for a job, and in February 1963, 100,000 different Turks were seeking employment as a guest worker in West Germany.[97] Thus, the Turkish Labor Ministry relented, and admitted that the two-year clause limiting guest worker visas would have to be modified.

Throughout the process of negotiation, the Turkish officials repeatedly emphasized concern about inadvertently incentivizing a permanent diaspora. The Labor Minister even suggested inserting a clause allowing Turkey to recall guest workers from Germany if, at any point, the Turkish economy reached full employment and needed more laborers. Yet hopes of such an outcome were far in the future, and West Germany did not accept the idea of the sending country retaining power to terminate employment in the host country. Thus, when the revised treaty between the Federal Republic of Germany and the Turkish Republic took effect on 30

[95] Karin Hunn, *“Nächstes Jahr kehren wir zurück--”:*60.
[96] Rudolph C Blitz, “A Benefit-Cost Analysis of Foreign Workers in West-Germany, 1957–1973.” Kyklos 30, no. 3 (1977): 479–502.
[97] Karin Hunn, *“Nächstes Jahr kehren wir zurück--”:* 62.

September 1964, it officially removed the "Rotational Principle" as a basic condition, removing the upper boundary of two years and increasing the quota of workers eligible to receive extensions based on good work records and length of stay.[98]

In fact, when the Director of the West German Federal Employment Office Anton Sabel visited Turkey to celebrate the departure of the 100,000th guest worker in 1964, he actively encouraged his Turkish audience to consider long-term migration. At the time of his visit, over 150,000 Turkish workers were stuck in a limbo period between passing their interviews and examinations, and actually departing for Germany. Sabel thanked them for the "relief" in economic terms, and assured them that the Employment Office was trying to shorten the waiting period. Furthermore, he underscored that guest workers held the same on-the-job rights as all German workers, and, tellingly, mentioned that the surplus of German women (at the time, there were 2 million more women than men in Germany, partially due to wartime widows) meant the possibility of a German girlfriend or wife.[99] Such a suggestion implicitly encouraged single men to migrate permanently.

Labor migration can be understood as a function of four primary inputs: the demand of individual firms in a position to hire migrant workers, the supply of individual migrant workers, macroeconomic conditions in the country of origin, and macroeconomic conditions in the destination. Ultimately, variations in inflow of guest workers were not dependent on the individual goals of Turkish men and women, but rather "96% explained by the variation in German labor demands over the period 1957-1968," and over two-thirds of all foreign labor in West Germany worked in manufacturing, a sector particularly sensitive to changes in the macroeconomy.[100] In this sense, of the four main inputs, the West German macroeconomy was the most important determinant in the flow of guest worker migration through this period.

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[98] Miller, "Postwar Negotiations," 37.
[99] Ibid.," 31-32.
[100] Böhning, W. R. *Studies in International Labour Migration*, 64.

Furthermore, the Turkish and German macroeconomies became inextricably interdependent through the massive migration of labor from the latter to the former, with labor demand almost entirely determined by Germany's economy, and labor supply more or less consistently surplus given Turkey's consistently rising unemployment rate. This means that the labor supplied by Turkey accommodated any change in the quantity of labor demanded by West German companies, an effect that became particularly illustrative during the unanticipated 1967 recession. West German companies laid off guest workers and ended recruitment efforts to accommodate their reduced labor demand in 1967. Then, after labor demand returned to normal levels, the companies resumed recruitment efforts, and employment returned to pre-1967 levels almost instantaneously.[101]

The 1967 West German Downturn: An Emerging Debate

The 1967 recession was the first time in the postwar period that West Germany experienced a challenge to the assumption that the economy could grow forever. The economy fell into *Nullwachstum*, or "zero growth," and unemployment rose to 3.1%—hardly cause for worry in today's vocabulary, but after more than a decade of acute labor shortages, the public reacted strongly to the existence of any unemployment whatsoever. Business stuttered, unemployment mounted, private investment hit a postwar low, and the economy was utilizing only 78% of industrial capacity—the low water mark since 1950. Furthermore, wages grew more slowly from 1966-1968 than in previous years, and in the economy as a whole, wages grew 3% in

[101] This effect will be examined more closely from a microeconomic angle in Chapter 3, which will analyze the impact of guest worker migration on wages and productivity for Daimler-Benz, a large-scale auto manufacturer with operations throughout West Germany and West Berlin.

1967, as compared to 6% in 1966.[102] This reduction hit the demand market as a feedback loop: as companies sold less, they paid their workers less, who could then afford less, so companies sold even less.

However, the 1967 recession was isolated to West Germany and did not reach Turkey, meaning that it quickly passed with the help of domestic policy adjustment. West Germany enacted a four-year fiscal plan to balance the budget, allowing a short-term, 2 billion dollar stimulus package funded by tax cuts and an increase in the money stock to help revive the demand economy. Growth resumed the next year, with many Germans returning to their old posts just months after being laid off.

The role of guest workers in the West German economy crystallized through the 1967 recession. Throughout the macroeconomy, guest workers proved to be a slightly preferable work force to native workers, and of the guest workers, Turks in particular survived. The economic crisis validated perceptions of the flexibility of the guest worker labor force: companies could simply stop renewing visas and stop recruiting new workers, and their employment would naturally drop. Then, when the economy picked up again, they could resume recruitment precisely where new employees were required, without being bound to where the labor force used to be. German workers tended to dislike relocating for a job, and tended to prefer to stay within certain industries—but since guest workers were considered as total man-hours and not as individuals, the labor force was incredibly flexible. With regard to Turkish guest workers, the biggest change is visible in the number of official vacancies recorded in the Employment Offices in Istanbul and Ankara—essentially, fewer new Turks migrated in 1967 than in previous years.

For those already in Germany, meanwhile, the total number of employed Turks dropped by 16.6%, a considerably lower proportion that the 29.5% of Italians, 23.3% of Spaniards, and

[102] Alice Siegert, “Germany Weathers First Post-War Dip,” *Chicago Tribune (1963-Current File)*, January 8, 1968, sec. 1C.

17.4% of Greeks who lost their jobs in the recession. Suzanne Paine, economist and author of *Exporting Labor: The Turkish Case* speculates that this difference could be due to the generally low propensity for Turks to join unions, their contentedness with cheaper housing, or perhaps that Turks were more determined to stay than other ethnicities, given the extreme standard of living gap between West Germany and Turkey and the somewhat lesser discrepancy between, say, Italy during the same year.[103]

Interestingly, the fall in Turkish employment was almost entirely accounted for by a decrease in male workers: the number of employed Turkish women remained virtually constant, and during the post-recession recovery, the percentage of females in the labor force increased noticeably. In 1967, roughly 8% of Turkish guest workers were female. In 1973, that ratio had skewed up to 24.4%. In the aggregate economy, the percentage of women as a fraction of foreign workers in Germany increased from 25.7% in 1966 to 35.0% in 1967 (See Table C.) Women tended be chosen for unskilled work—as well as retain employment during difficult times—due to the fact that companies paid them less per hour for the same work than they paid male employees. Thus, it was cheaper for companies to employ women than to employ men, meaning that the dip in male Turkish employment during the 1967 recession can be understood as a function of unequal wages. Furthermore, women were expected to be naturally better fits in traditionally female industries, such as textile and food production, and when those industries grew during the 1960s, the proportion of female migrant workers grew in tandem.[104]

All told, the recession affected about 70,000 foreign workers, almost all of whom were replaced or re-hired after 1967. However, the downturn was extremely significant not because it caused a bump in the road of growth, but because it sparked a serious and sudden discussion about the continuing role of guest workers in a growth economy. Were guest workers a temporary

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[103] Paine, *Exporting Workers, the Turkish Case*, 61-64.
[104] Abadan-Unat, *Turkish Workers in Europe 1960-1975*, 9.

relief measure—a reserve labor army of sorts? Were they a fundamental keystone of any highly industrialized society? How separate should they live, and how should they be treated in governance? Before the recession, few politicians worried about the long-term effects of a permanent, non-German-speaking, generally low-income ethnic community in terms of infrastructure, education, social justice, or cultural implications.[105]

While some concerns rested on xenophobia—as length of stay increased, public commentary on cultural importations (or "foreign infiltrations") such as mosques, food, or language began to increase—others were rooted in the long-term economic of incubating an economy of migrant labor. One prominent Berlin economist, Carl Föhl, published a widely-read cautionary tale against the convenience of relying on cheap, imported man hours. He argued that in a normal economy with a restricted labor force, jobs with higher labor productivity will replace jobs with lower productivity, incentivizing modernization, optimization of production processes, and innovation. When guest workers flood the job market, these cheap pools of labor fill jobs with low productivity even when better, more optimized options exist, holding the economy back from its full potential. Föhl was also one of the first to note that cost of living differentials between host and home country may be the largest obstacle to a truly flexible work force: he warned that as guest workers grew accustomed to the German standard of living, they would not voluntarily return to their home countries, where job prospects, consumer opportunities, and wages were considerably lower. Thus, his red flag called government attention to the fact that when the economy plateaus, decreasing the foreign labor force may not be as easy as the Labor Ministry expected.[106] Not everyone agreed with his assessment: Social Democratic Economics Minister Karl Schiller prominently disagreed, calling guest workers the "perfect reserve labor force" and a "buffer" zone. Indeed, the guest worker labor force was flexible through the 1967

[105] Abadan-Unat, *Turkish Workers in Europe 1960-197,* 16.
[106] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 218-219.

recession not because people besides those whose visa were scheduled to expire actually left Germany, but rather because 200,000 fewer foreigners were imported than in the previous year.

Nevertheless, the 1967 recession brought about the first public debate over the enduring role of guest workers in the West German economy. In so many words, West German industry sought a perfectly flexible, mobile "army" of workers, who were willing to work dirty jobs for low pay, and who would appear and disappear without complaint or delay whenever the economy demanded.[107] Furthermore, guest workers hugely benefited West Germany's social coffers. Given that West Germany did not have to educate Turkish workers from birth and rarely paid out retirement benefits to them, the German government received an additional one billion DM per year due to the high number of guest workers paying social security and the tiny number of them receiving it. Thus, the discussion rested on the idea, as coined by the prominent economist Fritz Baade, of "*aufstocken statt aufwerten,"* or stocking up instead of improving—basically, the German economy was adding enormous value thanks to the guest workers without turning that increased value around to substantially improve the quality of life or integration of the same guest workers.[108] Each guest worker was estimated to add 20,000 marks per year to the gross national product—10,000 of those marks were received as wages, and the remaining 10,000 were paid in taxes, social and infrastructure costs, and in the net profits of employers. From another angle, guest workers increased the per capita GNP since a higher proportion of them worked and produced: 80% of foreigners in Germany were wage earners, while roughly 49% of all Germans worked—this higher labor force participation rate increased wealth for everyone. Foreign workers also tended to log more hours than native Germans, averaging ten more hours per month through

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[107] Ibid., 223.
[108] "Aufstocken Statt Aufwerten," *Die Zeit*, November 29, 1968, sec. wirtschaft, http://www.zeit.de/1968/48/aufstocken-statt-aufwerten.

this period.[109] Moreover, guest workers cost very little to health insurers, given their low risk of calling in sick for minor injuries or illnesses because of their goal of making the most money in the shortest amount of time and possibly an unfamiliarity with the bureaucratic systems.

Post 1967: Adaptation and Restriction

After 1967, the West German economy regained upward momentum. Meanwhile, Turkey faced the same litany of underemployment: industrial output grew only 9.4% in 1969, 2.5% in 1970, and eked up to 8.7% in 1971 (below the target of 12% through these years), while the unemployment index rose from 100 in 1962 to 162 in 1972, while agricultural unemployment felt it even more sharply, rising from 100 to 319 during the same decade. By 1973, total unemployment in Turkey settled around 12.5%, meaning that over two million Turks could not find jobs and host countries such as West Germany had the luxury of determining demand, knowing that ample supply could be accessed if needed.[110] Given this surplus of willing Turks, priority was given to those applicants who were not already employed domestically, those nominated by West German firms, those who could speak German, those applying with their spouses, and those who were members of agricultural collectives. Moreover, in 1972, the Employment Office restricted the applicant pool to exclude new applications for unskilled workers over 25 years of age and skilled workers over 40 years of age, while removing the names of all males over 35 years of age from the list. This reduced the applicant pool from 1.25 million to 1 million, but nevertheless, the average waiting time for Turkish men had risen to an absurd 10 years from the original few months endured by applicants in the early 1960s—and the applicant

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[109] Rudolph C. Blitz, "A Benefit-Cost Analysis of Foreign Workers in West-Germany, 1957–1973," 486.
[110] Paine, *Exporting Workers, the Turkish Case*, 56.

pool bounced back to 1.2 million by 1973.[111] Although German companies lobbied for liberalization of the recruitment procedure (in 1971, a labor permit became available that did not tie a worker to a specific position, geographic validity was expanded, and some visas became available for 5 years instead of 2 years,) the Employment Office attempted to reduce demand in 1973 for guest workers by requiring companies to demonstrate that they could supply fair housing and by increasing the per capita fee for imported guest workers. At this point, the present social problem of where, how, and for how long migrants could live in temporary arrangements in Germany began to catch the government's eye more strongly than the continuing role of guest workers in the West German economy.

Lessons From the 1960s

Thus, after the 1961 German-Turkish Agreement initiated the basic momentum of the labor transfer, the West German macroeconomic conditions effectively dictated the ebb and flow of aggregate migration. Throughout the 1960s, the Turkish macroeconomy sustained an acute labor surplus; the individual incentive for Turks to seek opportunities to work abroad stayed constant; and to German employers, the advantages of recruiting a flexible foreign labor source were only further reinforced by the economic struggles in 1967. In this sense, policy or politics did not control migration—economics did. The economic supply-demand model determined employment trends, such as the unexpected side effect of the relatively higher employment of female migrants in unskilled jobs due to their lower market wages in comparison to their male counterparts.

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[111] Ibid., 65-70.

In order to more closely examine the relationship between labor migration and wage growth, Chapter 3 will isolate the major car manufacturer, Daimler-Benz Aktiengesellschaft (DBAG,) and the exclave city of West Berlin as case studies throughout the 1960s and early 1970s. DBAG provides thorough data at the heart of West Germany's productive industrial economy to better understand growth and change in wages by skill level, gender, and country of origin with respect to the business cycle. Meanwhile, due to West Berlin's hostile business environment due to political unrest, the city did not begin to import guest workers until roughly 1965, testing the hypothesis that guest worker migration enabled wage growth.

Chapter 3

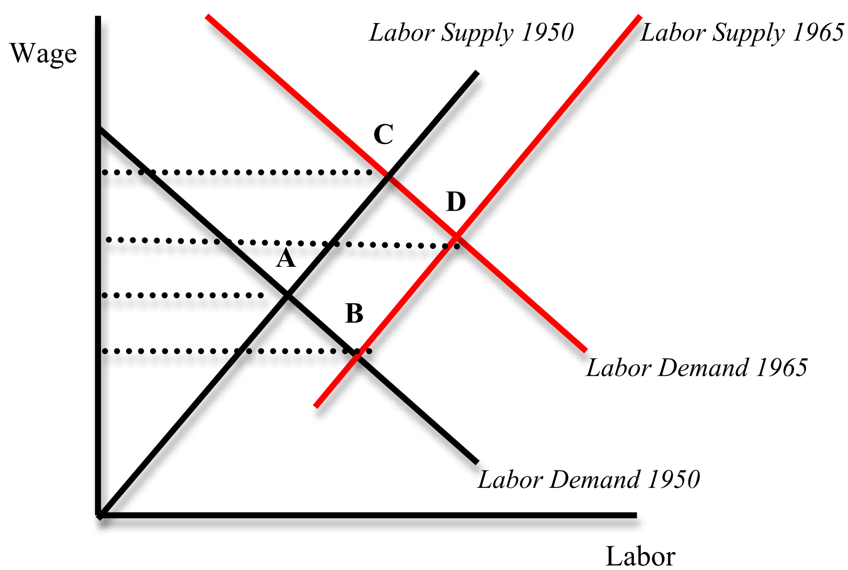
Daimler-Benz: A Case Study in Guest Worker Recruitment and Implementation

The economic effect outlined in Chapter 2 runs counter to conventional wisdom regarding the net effect of labor migration. Thus, to understand the outcome more closely, Chapter 3 will schematically outline the theoretical tools to clarify the mechanism, using the case study of Daimler-Benz. First, I will analyze wage growth as a function of foreign employment for the company as a whole. Then, I will establish the particular context of Daimler-Benz's factory in West Berlin, where a delayed implementation of the guest worker program allows us to isolate and test the hypothesis that guest worker migration during a labor shortage enables net wage growth by increasing the production possibilities frontier. In order to better understand this macroeconomic expansion and effect of temporary guest work migration on employment and wages, I accessed unpublished data provided by the Mercedes Benz archive in Stuttgart, Germany. I collected data from the years 1960 until 1985 on important indicators such as employment by skill level, gender, and country of origin, as well as average hourly wages by gender and skill level, as volumes were available. The analysis of employment data comes from the unpublished archives, and the production and profit data are available through DBAG's published annual shareholder's reports. I entered the data into Microsoft Excel, allowing a distilled glance at change over time by specific employee demographics, and used this graphic format to explore the hypothesis that wages increased due to guest worker migration due to how the increased labor supply enabled increased production, and therefore more profits.

Wage Increases And Labor Migration: The Economic Intuition

It appears to be a truism that foreign migrants depress the average wage for the native labor force. This follows standard, classical economic "supply-demand" models: when supply of a good increases but demand stays the same, the price of each good falls. Likewise, when supply of labor increases while demand stays the same, the price of labor (wage) falls. However, in the case of West Germany in the 1960s, labor demand did not remain stable: since German companies were able to rapidly expand their capital stock thanks to the growth economy, Allied investments, and international demand for German products such as automobiles, steel, and armaments, demand for labor was increasing in tandem. Thus, during the guest worker program, labor demand and labor supply both shifted to higher levels, allowing wages to grow substantially:

Figure 3: Wage Growth Schematic, 1950-1965



In this schematic, point "A" represents the original wage level in 1950, before labor supply and labor demand shifted. Point "B" indicates the point to which wages would have fallen if labor supply grew to 1965 levels without any adjustment of labor demand. Point "C," meanwhile, shows the enormously high level to which wages would have risen without any movement in the labor supply—Point “C” is where the West German economy would have settled without the implementation of the guest worker program. Finally, “Point D” indicates the higher wage level at which the economy resolved in the mid 1960s, when both labor supply and labor demand had increased.

As discussed in Chapter 2, the guest worker migration enabled the continued expansion of the West German economy through the 1960s. To more closely examine this mechanism, I will first analyze the growth in wages relevant to employment of foreign workers for Daimler-Benz Aktiengesellschaft as a whole. Then, I will investigate the particular case of West Berlin, which allows the hypothesis that labor migration leads to wage growth to be more closely tested. West Berlin was unable to recover in the postwar era in the same way that West Germany did, and did not begin importing guest workers in any substantial number until roughly 1965. However, once guest workers plugged into the West Berlin economy, wages were able to rapidly grow and almost make up for the gap between wage levels in West Berlin and the rest of West Germany. I will assess the hardly researched case of West Berlin through data specifically from the Daimler-Benz plant in Berlin-Marienfelde, permitting a close, controlled comparison of how foreign workers affected wage growth in West Berlin as opposed to the Federal Republic of Germany.

History of Daimler-Benz

Daimler-Benz Aktiengesellschaft, or DBAG, was, in many ways, the quintessential model of the German economy through the 20th Century. Both Gottlieb Daimler and Carl Benz independently invented the automobile in 1886, and although the two men never met in person, their legacy companies merged into the publically traded Daimler-Benz in 1926. Best known for its Mercedes-Benz line of personal and luxury automobiles, DBAG also produced heavy-duty trucks and commercial vehicles, and during the Nazi years, armaments such as truck and aircraft engines. As was the case across Nazi Germany, a dramatic decrease in the domestic labor force due to the draft forced the management to recruit new workers. In addition to employing German women, DBAG relied increasingly on forced workers: prisoners of war and civilians who had been recruited (often by force) across Europe. DBAG also embraced the offer of the SS to use concentration camp inmates as slave workers in its plants to keep up with the demand for armaments and repairs.

In 1945 Allied bombing raids had destroyed most DBAG plants. After Germany's surrender, the Allies took control of the remaining production facilities and liberated the forced laborers and concentration camp inmates housed in branch camps at several DBAH plants. Thus, at the end of May 1945, the total number of DBAG employees tallied only 2,860 individuals—7% of the number from only three months previous, in February 1945.[112] The company was unable to immediately begin sorting through the rubble, however: under the Potsdam Agreement, all German capital was to be nationalized, confiscated, and used to pay war reparations.[113] Furthermore, DBAG had to abandon all prewar international trade arrangements and capital stock in the newly created Soviet zone, leaving them only their pre-1939 four southern German plants in Untertürkheim, Sindelfingen, Mannheim, and Gaggenau, plus their plant in Berlin-Marienfelde.[114]

After receiving a new production permit from Allied administration on January 3, 1946, DBAG finally re-opened all its operating plants by 1947, including Marienfelde in the American Sector of West Berlin. Through the 1950s, the company's story of exponential growth matched that of the Economic Miracle, with rising standards of living driving demand for personal

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[112] Rainer Fattmann et al., *125 Jahre Arbeit und Leben in den Werken von Daimler und Benz: Die Geschichte der Beschäftigten und ihrer Interessenvertretung* (Ludwigsburg, Württ: Info & Idee, 2011), 100.
[113] "Reconstruction (1945-1949), History of Daimler," *Daimler*, accessed November 17, 2013, http://www.daimler.com/dccom/0-5-1324887-1-1324899-1-0-0-1345593-0-0-135-0-0-0-0-0-0-0-0.html.
[114] Ibid.

automobiles, which stimulated production, employment, profits, and an expansion of the export market. West Germany's auto industry lay at the heart of the Economic Miracle as both a major consumer of energy and steel and as a major supplier of transport vehicles. By 1954, DBAG was turning over one billion DM in sales, and by 1965, quintupled to annual revenue of over 5 billion DM.[115] However, starting in the late 1950s, the labor supply gap hit the company hard as a function of wages, since at that point, labor demand jumped to point "D" in the Fig 1, where labor supply remains unadjusted.

Terminology and Trends

DBAG divided its employment into *Angestellte*, or white-collar, highly trained employees; *Arbeiter*, or blue-collar wage workers; *Auszubildende*, or apprentices; and *Sonstige*, or "other," referring to the small number of external contractors and other such staff. Furthermore, the employment data is also delineated by place of work, either in factories, branch offices, or places of retail. Data described as "total" or "total average" includes all of these classes and locations, which provides a useful landscape of how the company as a whole grew through the 1960s and 1970s. Turkish guest workers, the focus of this study, worked almost exclusively as *Arbeiter*: DBAG reported that from 1960-1969, there were from one to three *Sonstige* Turkish employees, and in 1970, out of 5460 total Turkish employees, only 15 were *Sonstige*. The rest were classified as *Arbeiter*, and as such, the following data will focus on the demographic breakdown of just this class of employees.

All employees were divided into twelve pay brackets, denoted in roman numerals. *Arbeiter* fell into the Classes I – VIII, with the upper IX – XII mostly comprising white-collar,

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[115] Fattmann et al., *125 Jahre Arbeit und Leben in den Werken von Daimler und Benz: Die Geschichte der Beschäftigten und ihrer Interessenvertretung*, 115.

educated Germans. Below, the “total average” wage for all classes is considerably higher than the average wage for even the top *Arbeiter*, given that the highly paid engineers and chief financial officers are included in this category. Classes V through VIII represented skilled workers, or workers who already had practical experience or an advanced education and often received further, very specialized training on the job. Classes III and IV, meanwhile, denoted *Angelernte*, or “trained” workers who received on-the-job instruction from DBAG. DGAB hired these workers without previous experience, but they required special training to complete their specific jobs. Trained workers comprised the largest percentage of Turkish workers: in 1970, for example, DGAB employed 1003 skilled Turks, 360 unskilled Turkish workers, and 3108 Turkish trained workers—almost 70% of all employed Turks. The remaining classes, Classes I through II, bring together all remaining unskilled workers, or *Ungelernte*. Women were generally only hired as trained or unskilled workers, and unskilled single women were actually preferred to unskilled single men, given that they could be paid a lower hourly wage for equal work. For example, in 1970, DGAB employed 5236 unskilled workers, of which 1975 were male and 3351 female. In 1968, men in Classes I and II earned an average of 475.6 Pfenning (100 Pfenning = 1 DM) per hour, while women in the same class earned 445.6.

Daimler-Benz began working with the Federal Labor Ministry to recruit guest workers in the early 1960s, when the Germans residents of the areas surrounding factory operations could not meet the company’s growing demand for labor. This employment gap was particularly acute in the areas of Southern Germany where industry had traditionally dominated, and although some unemployment existed in agricultural regions of West Germany, companies were unable to persuade Germans to relocate. Therefore, they turned to the most mobile labor force possible: guest workers with no residential ties, short-term visas, and a good work ethic.

DBAG registered the desired number and qualifications of workers with the Labor Ministry, which in turn sourced workers via its recruitment offices in the major cities of sending countries. In the early 1960s, Italy sent the highest number to DBAG (1,212), followed by Greece (735), Spain (432), Turkey (209), and Yugoslavia (164).[116] However, through the late 1960s and into the 1970s, Turkey became the primary sending nation. Furthermore, as the economy sped up through the 1960s, DBAG became increasingly reliant on foreign labor for its expansion of production: in 1960, out of 67,521 total employees, 1283 were foreign *Arbeiter*, equaling 1.9%. By the middle of the decade, in 1965, there were 81,845 total employees and 7383 foreign workers, meaning 9% of all employees were foreign workers. In 1973, the total number of employees had increased by 40% to 116,378 and the number of foreign workers more than tripled to 30,652, meaning that fully 26% of all DGAB employees were foreign workers. Of that, the percentage of Turkish workers as a share of all foreign workers increased from only 4.75% in 1960, to 11.2% in 1965, to 32.6% in 1973. In this way, the company's additional growth through the 1960s and 1970s was not due to the *replacement* of domestic workers in favor of cheaper foreign workers, but rather due to the *addition* of a large foreign labor source to the stable domestic force (See Figure 4.)

Wage Growth in the Production Function

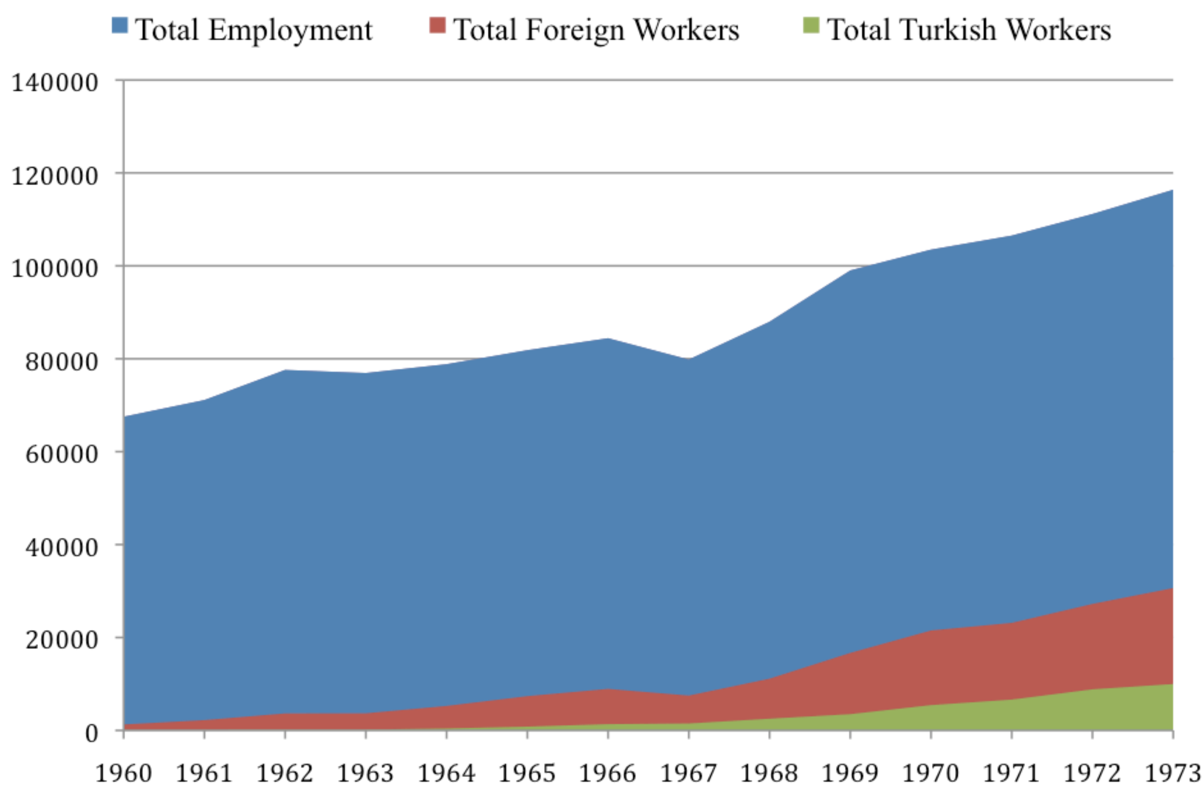
From 1960 to 1975, wages tripled for all employees, with most acceleration occurring in the early 1970s (See Figure 5)[117]. This was not simply to keep pace with inflation: wages for trained workers increased by 75%, outpacing cost of living, which increased only 19.3% from

[116] Richard Osswald, *Lebendige Arbeitswelt: die Sozialgeschichte der Daimler-Benz AG von 1945 bis 1985* (Stuttgart: Deutsche Verlags-Anstalt, 1986), 140.

[117] Note: Wage data was unavailable for 1963, 1967, and 1969 due to missing volumes at the Classics Archive. Furthermore, from 1960-1968, data was available monthly, so I used the value closest to the end of each calendar year. For 1970-1975, only yearly average data was available.

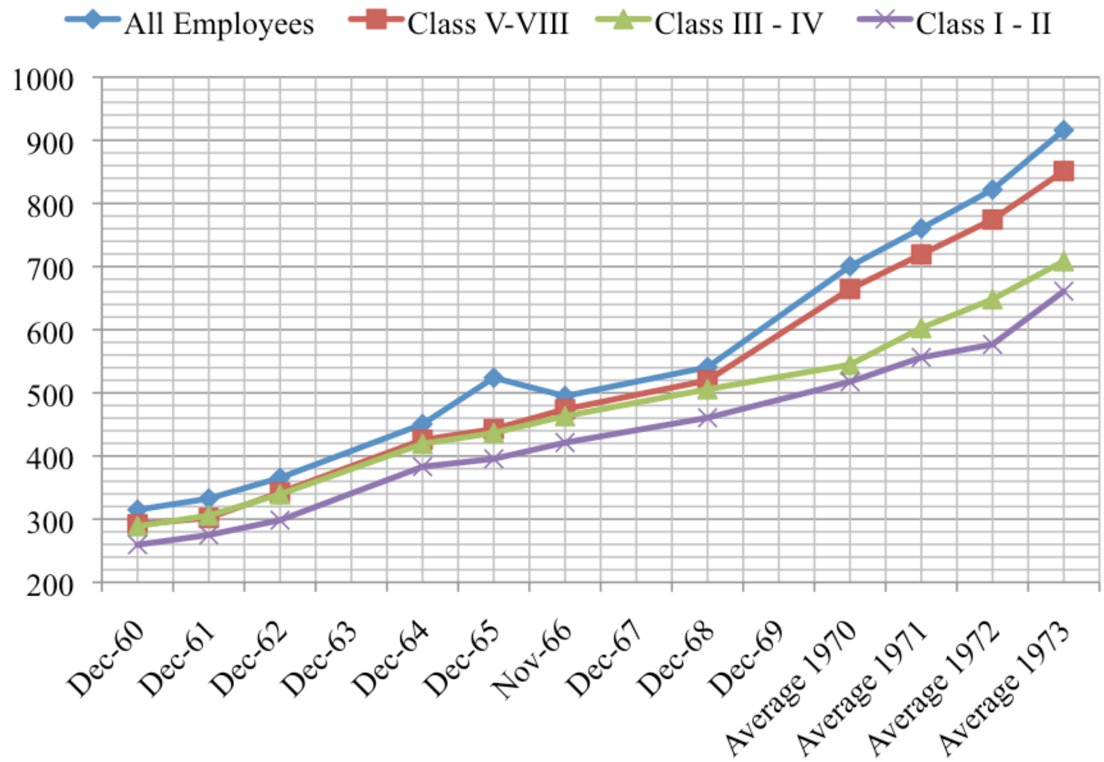
1960-1969.[118] Practically, this astounding growth in personal wealth meant that people could purchase more leisure goods, buy more cars and homes, eat better, care for larger families, and contribute to the positive feedback loop: as people demanded more, companies produced more, so they hired more people and paid higher wages, meaning that those people could also now demand more, so companies produce more, so they hire even more people. All in all, total wages increased from 314.9 Pfenning in 1960 to 760.5 Pfenning in 1971, working out to an increase of 141.5%. Interestingly, during this same 11-year period, wages recorded across the macroeconomy increased by 96%—tremendous given low inflation, but considerably less than the increase of 141.5% experienced by DBAG employees. One might logically expect that given DBAG's heavy use of guest workers, wages might increase less than in other industries.

Figure 4: Foreign Employees of Daimler-Benz, 1960-1973



[118] See *Table 3: Wages, Foreign Workers, and Price Developments in the Federal Republic of Germany, 1962-1971*

Figure 5: Average Hourly Wages in Pfenning, 1960-1973



However, several factors played into why production and wages were able to increase by such a large amount, namely the boom in productivity and capital stock enabled by the auto industry's role at the heart of the expanding economy, as well as union negotiations and cooperation with guest workers. Table D examines company-wide increases from 1964-1973 for growth indicators, looking at total current assets, total income, total payroll and benefits, and total sales, in addition to per-employee costs and per-employee sales. Of particular interest is the ratio of average cost per employee to the ratio of sales per employee: throughout this time period, the cost of each worker was roughly 25% of the sales they produced. This high overhead profit enabled wages to turn up so sharply, even though the ratio of cost to sales increased by just 5% (from 23% to 28%). The rapid growth of total variables testify to the massive expansion of the company as a whole, while the per-employee variables prove the company's business model of keeping the marginal product of an employee (how much each employee produces) tied to the marginal cost of that employee (how much each employee costs.)

Table 5: Growth Indicators from 1964-1973 from Annual Shareholder's Reports[119]

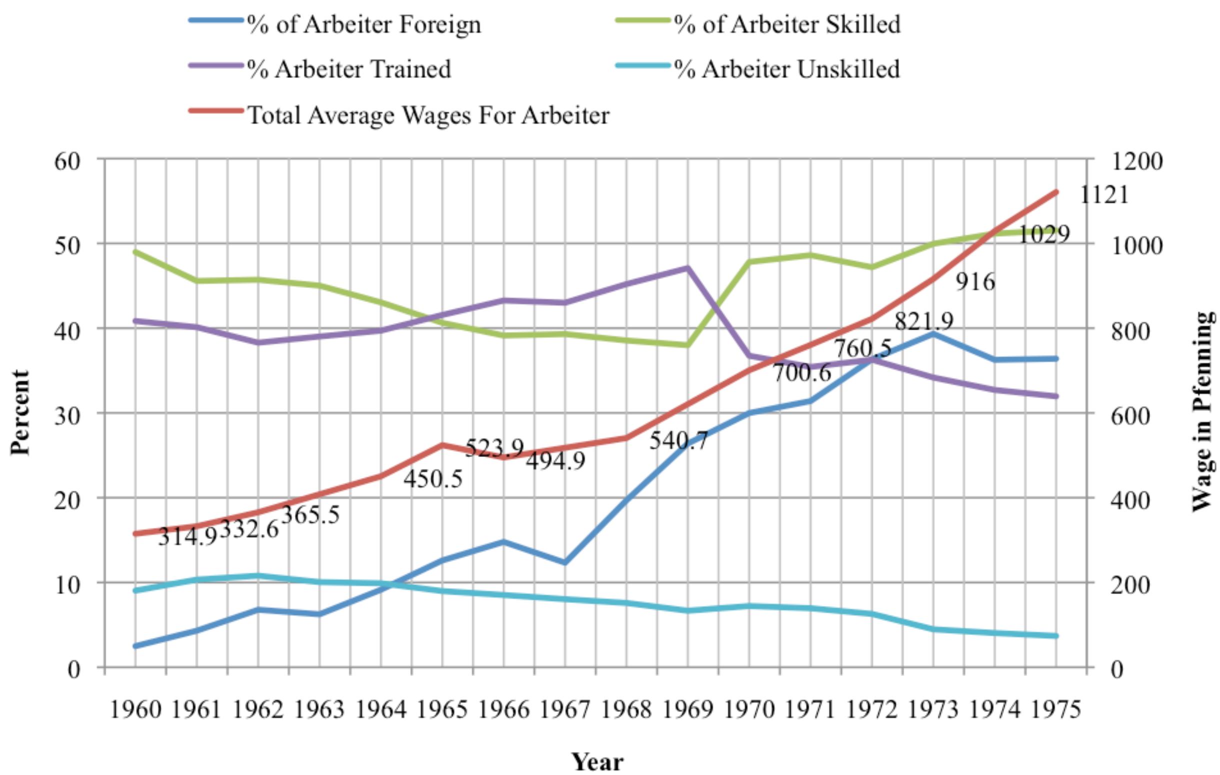
Indicator	**1964**	**1965**	**1966**	**1967**	**1968**	**1969**	**1970**	**1971**	**1972**	**1973**	**% Change 1964-1973**
Current Assets in Million DM	1030	1222	1318	1414	1731	2056	2088	2256	2723	3444	+ 234.37
Net income for the year	138	155	176	179	228	248	246	207	275	277	+ 100.72
Payroll and Employee Benefits in Million DM	980	1088	1234	1194	1407	1974	2481	2676	3099	3611	+ 268.47
Sales - DBAG - In Million DM	4226	4475	5039	5058	5819	8001	10016	10625	11603	13040	+ 208.57
Average Cost Per Employee (DM)	12702	13679	14778	14816	16802	19006	21712	23470	25876	29201	+ 129.89
Sales Per Employee (yearly average in DM)	54782	56255	60370	62775	69492	77035	87651	93187	96884	105449	+ 92.49
Ratio of Per- Employee Cost to Per- Employee Sales	0.23	0.24	0.24	0.24	0.24	0.25	0.25	0.25	0.27	0.28	+ 19.43

119 *Current Assets* include fixed assets (all tangible assets, such as property, plants, equipment, or other factors of production that cannot easily be liquidated into cash assets) in addition to the value of cash and bank accounts. *Net income* is calculated by subtracting total costs (including labor, tax, investment, and cost of production) from total income (comprising sales, dividends, and/or corporate tax credits.) Data pre-1964 was incompletely available.

Furthermore, DBAG particularly concentrated employment in the categories of skilled and trained workers (often referred to as semi-skilled in macroeconomic data.) In 1966, for example, DBAG employed 72 Turks as skilled workers, 113 as unskilled workers, and 1183 as semi-skilled. Meanwhile, in the economy as a whole, unskilled Turks made up the largest percentage: for newly arrived Turks in 1971, 15% were skilled, 54% were unskilled, and only 13% were semi-skilled. This is largely due to the particular nature of DBAG's production: most unskilled workers found employment in coal mining, steel mills, and other industries primarily reliant on physical labor. Notably, throughout the guest worker recruitment period (1961-1973), the percentage of skilled workers increased, while the percentage of trained workers actually decreased after the 1967 recession (See Graph C).

This is due to several important shifts. First, as DBAG expanded its product line and exports, it required more highly skilled workers as managers, engineers, and technicians. Second, highly skilled workers generally survived economic downturns at a higher rate: since they were extremely expensive to hire, train, and retain, DBAG continued to accumulate skilled workers during the 1967 recession and beyond, whereas trained workers felt a severe hit during rough fiscal years and were re-hired to original levels once the economy returned to normal. Third, the percentage of semi-skilled workers who were foreign increased drastically as a result of effective short-term training programs. These foreign workers allowed native Germans to be promoted up to the skilled wage bracket, an effect particularly pronounced for semi-skilled assembly line workers. Although Turks did send a relatively high percentage of skilled workers, only about 10% of all guest workers were classified as skilled workers at DBAG. Thus, another way to understand the exponential growth in wages is not only as a function of increased company productivity and profits, but also due to the shift in employment towards higher wage brackets throughout this period.[120] Thus, it is clear that wages were able to rise as a compromise between a substantial jump in labor demand and a tandem increase in labor supply due to the guest worker program.

Figure 6: Growth in Wages and of Skill Level of Arbeiter Compared To the Foreign Work Force, 1961-1975



This can be clarified by looking at how DBAG reacted to the 1967 recession discussed in Chapter 2. 1967 marked the first time that Daimler-Benz saw a minus sign on their change in income since the war, and as a response, it laid off a total of roughly 7% of their employees in 1967. The demand market essentially fell away, and companies had to adjust quickly to avoid losing money. Daimler-Benz accommodated this in three ways: first, it laid off many of their employees in the commercial vehicle sector, the sector hardest hit by the recession; second, it

[120] Osswald, *Lebendige Arbeitswelt*, 31.

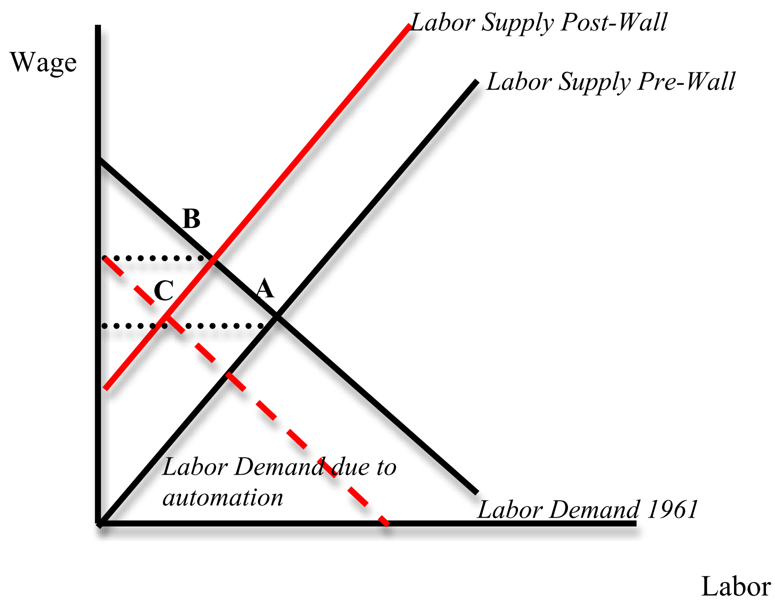
fired married (mostly native German) women, who were considered to be “double earners” and thus less in need of continuous employment; and third, it stopped recruiting additional guest workers during that year.[121] This was essentially the reverse effect: previously, a steady demand for products encouraged companies to demand more and more labor which was readily supplied by guest workers, but in 1967, a dip in consumer demand induced companies to reduce their labor demand, which was instantly accommodated by a stop in recruitment. If companies had continue to hire additional workers despite lowered profits, then wages would have fallen. However, as we know, West Germany recovered quickly from the 1967 recession, and Daimler-Benz extended a job offer to most of the native Germans who had been fired the year before and resumed guest worker recruitment in 1968.

The Case of West Berlin

West Berlin, meanwhile, was initially not able to increase labor supply the same way West Germany was able to. The city faced harsher economic challenges, and after the building of the Berlin Wall, further faced a capped labor supply that drove wages up sharply due to the scarcity of workers, from point “A” to “B” in Fig. 7 below. Companies were forced to adapt through automation in an attempt to decrease their labor demand and bring wages back in line., attempting to compensate for the lower labor supply and moving from point “B” to point “C” in Fig. 7. Meanwhile, West Berlin coped with not only a peculiar political environment that made it a very unpopular migrant destination, but also with an acute housing shortage, making the implementation of a large-scale guest worker program impossible. Thus, in the schematic model, West Berlin’s labor market after the building of the Berlin Wall showed a forcibly curtailed labor supply and reduced labor demand:

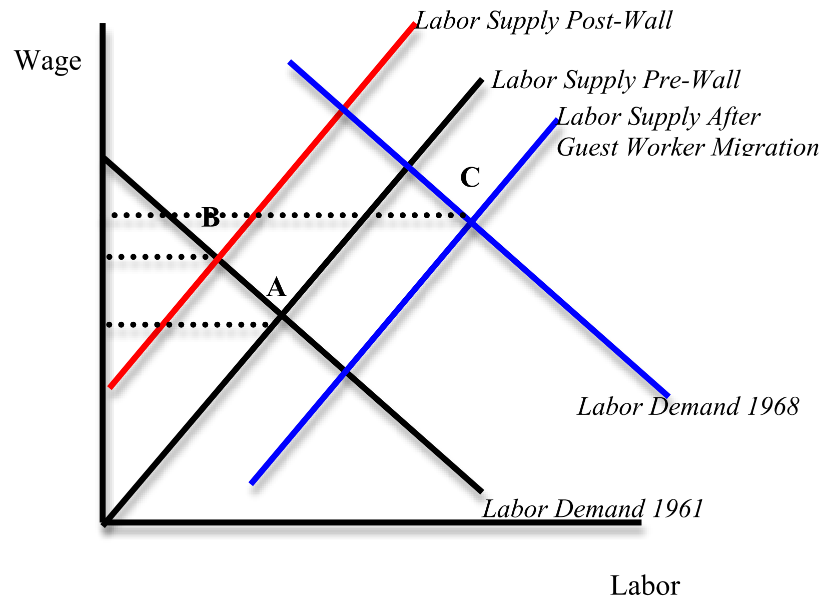
[121] Fattmann et al., *125 Jahre Arbeit und Leben,* 116.

Figure 7: Wage Growth Due To The Berlin Wall, 1961



However, starting in the mid-1960s and accelerating following the recovery from the 1967 recession, West Berlin was successfully able to expand housing availability and drastically increase the labor supply by initiating the guest worker program. By the time that West Berlin began to import guest workers, Italian, Portuguese, and Greek immigration had slowed to a trickle, while Turkey continued to send an increasing number of guest workers each year, making the guest worker migration to West Berlin overwhelmingly Turkish. At this point, the same effect explored with regard to West Germany occurred again in West Berlin: West Berlin's companies were able to match the expansion in labor with an expansion in production, bringing wages up thanks to an overall improved economic environment. The dramatic increase in the labor supply thus allowed West Berlin to move from point "B" to point "C" in the schematic model:

Figure 8: Increase in Employment and Wages During Guest Worker Migration



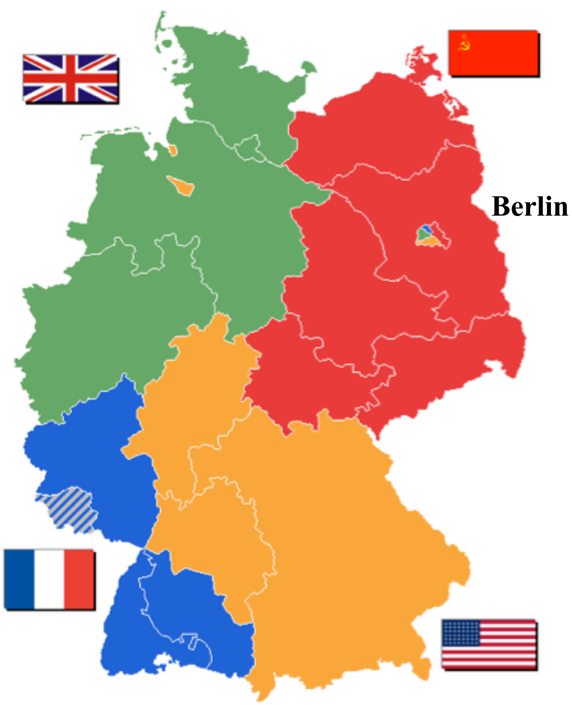
In order to more closely examine this effect, I will first explore the peculiar circumstances of West Berlin through the Berlin Blockade and the building of the Berlin Wall. Then, I will isolate the DBAG factory in Berlin-Marienfelde, using their wage and employment data in contrast with their wages and employment in West Germany in order to better understand how labor migration allowed wage growth in West Berlin.

Berlin's Political and Economic Context in the Postwar Years

Berlin faced an extraordinarily challenging business environment in the years following 1945. Divided into sections of British, French, American, and Soviet occupation, the former capital of the Third Reich became a flash point for disagreements between Soviet and Allied leadership. Berlin lay in the heart of Soviet-controlled eastern sector of Germany and was considered to be a point of vulnerability for the Soviet Union, but the Allied powers refused to relinquish their military presence in the city. On June 24, 1948, the Soviet Union blocked all land

and water access to the Allied-controlled sectors of Berlin in an attempt to coerce the Allied forces to surrender control of the entire city to the Soviet Union. However, the British, French, and American forces responded with the famous Berlin Airlift, flying over 200,000 flights and providing 4700 tons of food, fuel, and other supplied to the stranded West Berliners for the duration of the Blockade, which was finally lifted on May 12, 1949.[122] Politically, the Berlin Blockade and Airlift resulted in the official division of Germany into the Federal Republic of Germany under Western influence and the German Democratic Republic under Soviet control, as well as the official split of Berlin into West Berlin and East Berlin.[123]

Figure 8: Occupation Zones of Germany, 1945-1948



Economically, the effect of the Berlin Blockade and the ensuing division of West and East Berlin was not simply symbolic politics in the nascent Cold War: the isolation of West Berlin within a hostile state meant extremely difficult circumstances for industry. In the immediately ensuing years, most of Berlin's historic industries left for safer, more geographically western cities: the banking industry left for Frankfurt am Main, heavy industry flocked to Munich and Stuttgart, the media and film industry moved to Hamburg and Munich, and the political

[122] Deutsche Gesellschaft für Auswärtige Politik. Forschungsinstitut, *Documents on Berlin*, 2d rev. and enl. ed, (Its /. Dokument Und Berichte ; Bd.22) (München: R. Oldenbourg, 1963), 361.
[123] *Nachkriegsdeutschland in Den Heutigen Grenzen, Unterteilt in Besatzungszonen.*, March 19, 2010, http://commons.wikimedia.org/wiki/File:Deutschland_Besatzungszonen_1945.png,

leadership established the capital of West Germany in Bonn.[124] Indeed, when the Blockade lifted, the unemployment rate in West Berlin was an astounding 40%, due to the severe hardship and inability for industries to procure any raw materials or export any product during the Blockade.[125]

Throughout the 1950s, West Berlin continued to struggle economically despite enormous political significance. Some industries did recover during the Economic Miracle, but West Berlin, as a border area, political hot spot, and military occupied zone saw a flight of West Berliners out of the city, who, until the building of the Berlin Wall, were more or less replaced by an influx of East Germans. Moreover, 53,000 East Berliners held daily jobs in the Western sector, crossing the border daily and somewhat alleviating the shortage. However, after restrictions grew tighter, the city lost roughly 15,000 permanent residents each year from 1958 until 1962, declining from a high point of 2,228,545 in 1957 to 2,174,013 in 1962.[126] In addition to the annual loss of Berliners, the city attracted very few West German migrants and even fewer foreign workers. This situation dramatically tightened with the erection of the Berlin Wall on the night of August 13, 1961.

On one hand, the permanent closing of the border meant a resolution of the “Berlin question:” the leadership of East Germany ceased all attempts to annex the Allied-controlled zones, cementing West Berlin as a political exclave. On the other hand, the Berlin Wall further complicated West Berlin’s potential as an industrial manufacturing center: East Germans and East Berliners were not available as a labor force. Since most of the East Berliners who had continued to work in the Western sectors had been highly trained employees and concentrated in particular

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[124] Martin Gornig and Hartmut Häussermann, “Berlin: Economic and Spatial Change,” *European Urban and Regional Studies* 9, no. 4 (October 1, 2002): 333.
[125] Jennifer A. Miller, “Postwar Negotiations: The First Generation of Turkish ‘Guest Workers’ in West Germany, 1961--1973” (Ph.D., Rutgers The State University of New Jersey - New Brunswick, 2008), 14.
[126] Deutsche Gesellschaft für Auswärtige Politik. Forschungsinstitut, *Documents on Berlin*, 2d rev. and enl. ed, (Its /. Dokument Und Berichte ; Bd.22) (München: R. Oldenbourg, 1963), 360.

industries, they were particularly difficult to replace: for example, the textile industry lost roughly 30% of all employees overnight.[127] Furthermore, West German shops that had relied on the business of East German customers faced sudden, drastic drops in sales: in September of 1961, analysts predicted that retail sales in West Berlin would drop by as much as $100 million in one year.

Although there were under 100,000 unemployed persons and over 500,000 unfilled jobs in West Berlin in September 1961, the situation could not be resolved by importing more workers due to the very basic fact that there was nowhere to put additional city residents. Yet the Bonn government and the Western Allies became extremely concerned that despite their unwavering resolve to hold onto West Berlin, the fight would ultimately leave them in custody of an expensive, beleaguered, and economically burdensome piece of real estate. In short, the West could not afford to let West Berlin languish.

Thus, the Bonn government sought to prove to East Germany that capitalism could flourish in the heart of socialist territory. Throughout the 1960s, the federal government subsidized West Berlin for 50% of its total operating budget, provided enormous tax exemptions for companies operating in the city, and instated a 30% lower tax rate on corporations and on income and wages. Companies such as Siemens signed off on expensive investments to modernize and make up the difference from labor shortages through increased automation.[128] Furthermore, despite the overall decline in population and production compared to prewar levels, West Berlin remained both a member of the European Common Market and Germany's largest

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[127] George Melloan, "West Berliners Tire Of Life in Divided City As Pressures Mount," *Wall Street Journal (1923 - Current File)*, June 24, 1968, sec. 1, http://search.proquest.com.ezaccess.libraries.psu.edu/docview/133315844/abstract?accountid=13158.

[128] Ibid.

industrial city, with its annual production equal to that of Denmark or Norway.[129] In 1963, West Berlin produced the equivalent of unadjusted US $3 billion, manufacturing half of all light bulbs and cigarettes and a third of all dresses in West Germany.[130]

In this sense, West Berlin was an economically viable and productive city, despite its unusual circumstances. Unlike their counterparts in West Germany, West Berlin companies faced an inflexibly capped labor force, requiring them to adapt via automation in order to decrease their labor demand in the years before the guest worker program took off.

DBAG in Berlin-Marienfelde

In January of 1946, Daimler-Benz regained control over its West Berlin plant in Berlin-Marienfelde, which had been heavily bombed during the final days before the Nazi surrender. After rebuilding, Marienfelde specialized in motor production, maintaining much smaller overall employment than, for example, DBAG's Untertürkheim industrial campus outside of Stuttgart. However, as noted in an official publication by Daimler-Benz celebrating 125 years of "work and life" at the company, DBAG faced both unusual constraints and useful advantages in West Berlin. First, DBAG transported tools and work pieces from other factories for final production in order to take advantage of the enormous subsidies and tax breaks afforded by the Bonn government. Second, however, West Berlin felt enormous pressure to always "ensure that the standards of employment were over the level of that in the GDR, and DBAG had to include things like health insurance and child care" in their worker contracts.[131]

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[129] William Fulton, "Report from Germany: Thriving Berlin Has Problems," *Chicago Tribune (1963-Current File)*, August 5, 1969, sec. 1.z

[130] "The Faith of West Berlin," *Chicago Tribune (1963-Current File)*, August 13, 1963, sec. 1.

[131] Rainer Fattmann et al., *125 Jahre Arbeit und Leben in den Werken von Daimler und Benz: Die Geschichte der Beschäftigten und ihrer Interessenvertretung* (Ludwigsburg, Württ: Info & Idee, 2011), 75.

Table 6: Registered Turkish Residents in Berlin, 1960-1973[132]

1960	225	*Gain*
1961	284	+59
1962	511	+227
1963	773	+262
1964	1135	+362
1965	2797	+1662
1966	5698	+2901
1967	6670	+972
1968	10019	+3349
1969	24554	+14535
1970	39134	+14580
1971	54421	+15287
1972	66521	+12100
1973	79468	+12947

After the building of the Berlin Wall, DBAG lost access to a huge pool of labor. Almost immediately, the hourly wage in Berlin-Marienfelde increased by 50 cents in order to coax any unemployed persons in West Berlin to choose DBAG over other companies.[133] Thus, contrary to the effect of economic growth in West Berlin where an increase in labor demand caused higher wages, the Berlin Wall caused labor supply to drastically decline, forcing the wage level up from point "A" to point "B" in Fig. 7 above.

Scholarship has left it relatively unclear as to why guest worker migration picked up so suddenly beginning in 1965 and gaining momentum through 1973. Historian Jennifer Miller asserts that West Berlin did not initiate a large-scale recruitment effort until after 1964 in order to avoid appearing weak in the eyes of East Germany, while other historians posit that in the earlier years, companies were hardly focusing on expansion due to all the political turmoil and thus simply overlooked the possibility of importing substantial numbers of guest workers.[134]

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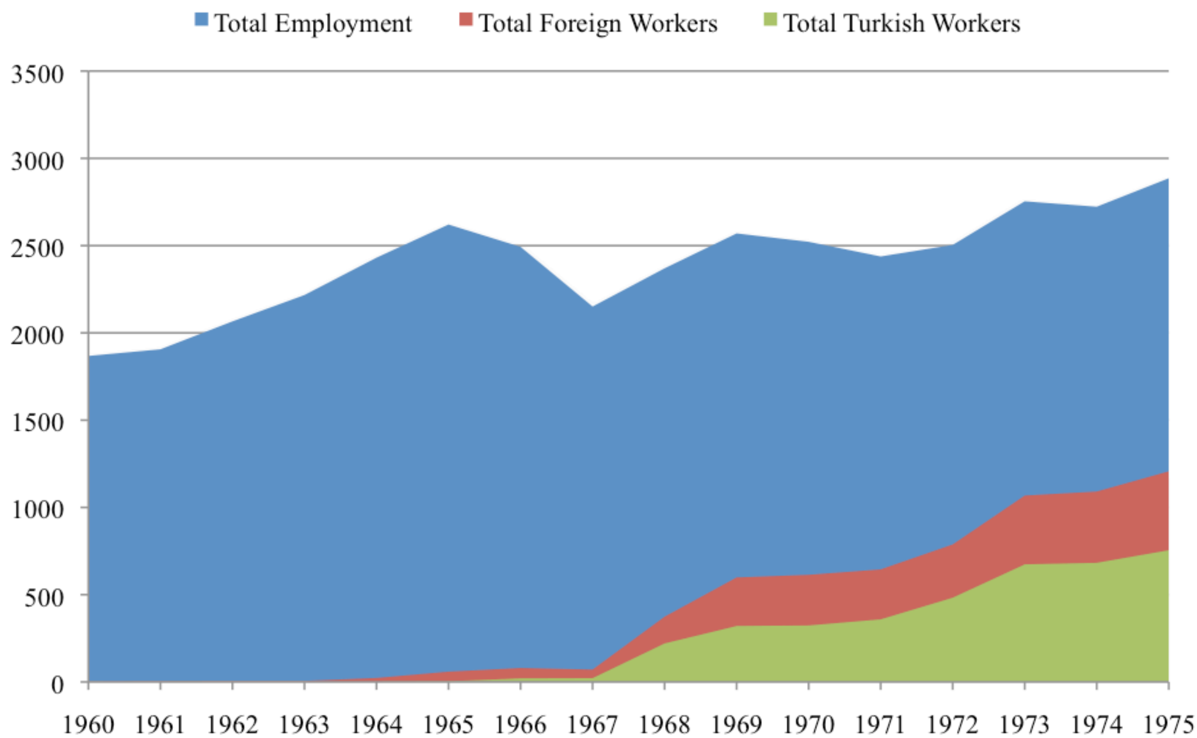
[132] Greve et al., *Das türkische Berlin*.

[133] Fattmann et al., *125 Jahre Arbeit und Leben in den Werken von Daimler und Benz: Die Geschichte der Beschäftigten und ihrer Interessenvertretung*,

[134] Miller, "Postwar Negotiations," 16.

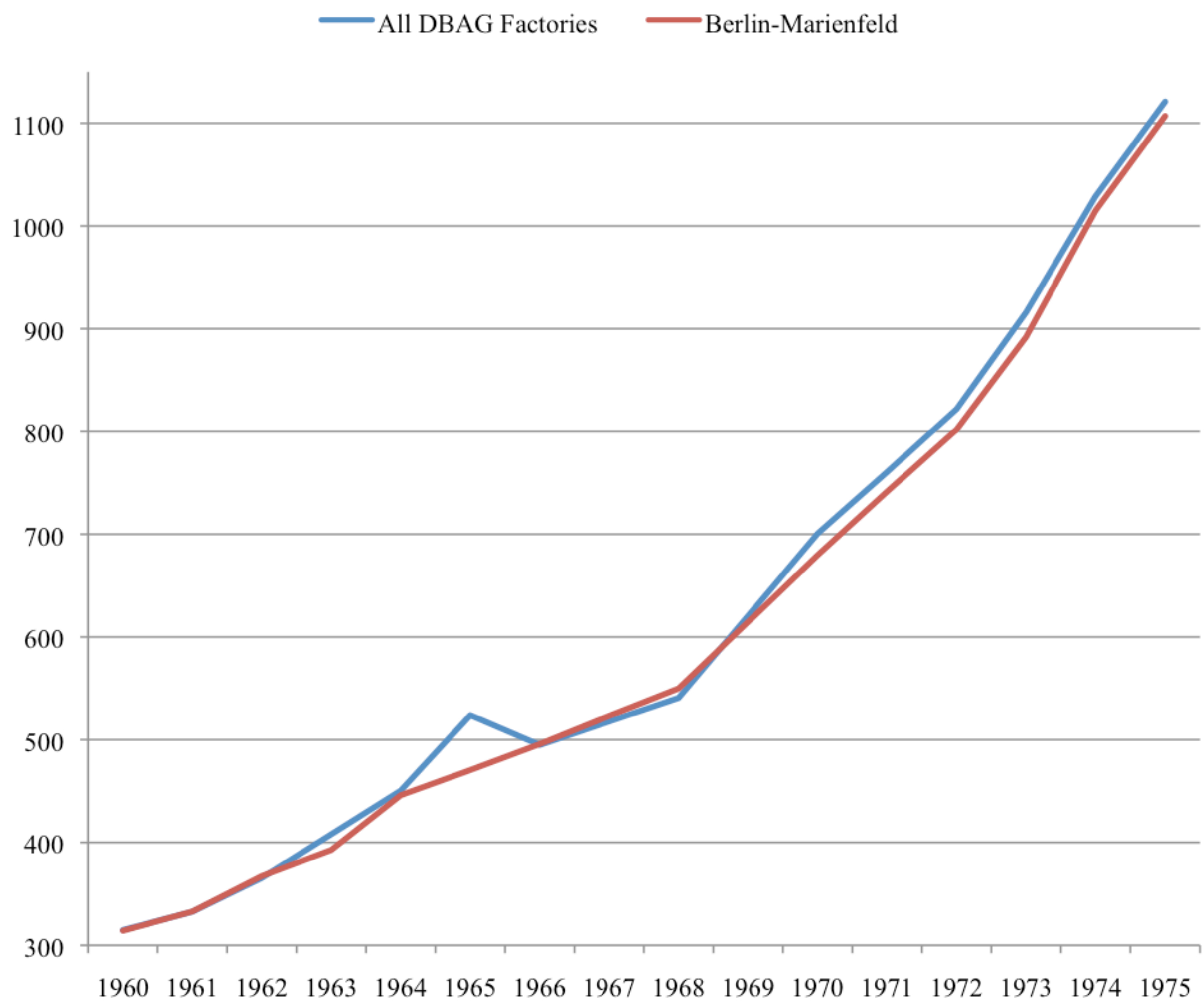
Figure 9: Employment of Foreign Workers in Berlin-Marienfelde



Furthermore, many contemporary newspaper articles mention the housing shortage in West Berlin as the main factor limiting labor migration, but no hard statistics are offered to buttress this claim. Available secondary sources on West Berlin during the 1960s focus almost exclusively on the diplomatic and political significance of the city, but very few provide data on unemployment rates, housing availability, and consolidated reports of migration. Nevertheless, it is clear that by the late 1960s, the housing situation improved to the point that, by 1970, over 14,000 Turks per year were coming to West Berlin as guest workers.

Many of these were employed by DBAG in their Berlin-Marienfeld factory. In Figure 9, it is clearly visible that DBAG employed almost no foreign workers before 1967, and that when it began hiring foreign guest workers, it employed a majority of Turks. Thus, for DBAG altogether, only one out of every four employees was foreign in 1973, and only one out of every three foreign worker was Turkish. Meanwhile, in Berlin-Marienfelde, 38% of all employees were foreign, and of those foreign workers, 63% were Turkish.

Figure 10: Wage Growth in Deutsche Pfenning



Remarkably, although the mechanisms behind wage increases were extremely different between DBAG as a whole and for Berlin-Marienfelde, wages and the annual rate of increase was able to lock up almost perfectly between the West Berlin exclave and the factories in West Germany after the initiation of the guest worker program, even though wages were growing considerably more slowly in Berlin- Marienfelde before the late 1960s. As seen in Figure 10, until the mid 1960s, wages for Berlin-Marienfelde were growing along a noticeably flatter line than for all DBAG plants, but locked into almost an identical growth rate after the recovery in 1968.

Thus, the same counterintuitive effect of labor migration permitting an increase in wages held true for Daimler-Benz despite the particular circumstances of West Berlin.

1967 – 1973: Growing to a Halt

Chapters 2 and 3 have solidified the role of guest workers in the growth economy of the 1960s. However, in the years leading up to 1973, the runaway economy began to slow down to a more typical growth rate. Meanwhile, as Turkish migrants became both the statistically and culturally dominant working minority in West Germany, the rhetoric over *Überfremdung* (or over-foreignization) reached a fever pitch. During this phase, the economic justification for guest worker migration became obscured by cultural concerns voiced in the media. Thus, when the 1973 Oil Crisis hit the international markets, West Germany completely cancelled the 1961 Turkish-German Agreement and ceased all recruitment of guest workers. From that point forward, Turks and other labor migrants were no longer part of a transient, controlled, short-term population, but rather a permanent component of West German society. Furthermore, while the minority population had been created due to economics, the Bonn government attempted to reduce the same population through social discrimination, cultural exclusion, and roadblocks on the path to citizenship. The switch in rhetoric from pure economic arguments to pure cultural arguments set the tone from the mid-1970s to the present day. Thus, Chapter 4 will trace this shift from defining Turks as a short-term economic necessity to a long-term cultural nuisance and analyze how this shift affected West Germany's ability to resolve issues regarding this minority.

Chapter 4

Transition from “Guest Worker” to “Ethnic Minority:” the *Anwerbestopp* and West Germany in Transition

The End of the Guest Worker Era

After more than a decade of rapid growth, the 1967 recession threatened West Germany’s seemingly unstoppable economic progress, but it also validated West Germany’s treatment of guest workers as a perfect reserve labor force. By recruiting labor migrants from abroad, West Germany could effectively export unemployment during the 1967 downturn: the number of guest workers in Germany decreased from 1.3 million in 1966 to 904,000 in 1967 to accommodate the shrinking demand.[135] The guest workers could be treated as little more than calculated man-hours, as they were perfectly flexible, perfectly replaceable, and perfectly accommodating. Indeed, in the post-recession recovery, guest worker recruitment resumed with increased vigor and guest workers totaled 2 million by 1970 and 2.6 million by 1973.

However, as the guest worker program matured, individual guest workers began to slowly grow roots in West Germany. From the demand side, the rotational principle fell out of use as it became costly for employers to repeatedly train new workers—it was cheaper to keep one trained worker for 10 years than to train a new worker every 2 years. From the supply side, more and more Turkish workers began to migrate to Germany not only for better job opportunities, but also to rejoin family members who had been living abroad for several years and

[135] Stephen Castles, “The Guests Who Stayed - The Debate on ‘Foreigners Policy’ in the German Federal Republic,” *International Migration Review* 19, no. 3 (October 1, 1985): 518.

could help them through the recruitment bureaucracy.[136] Meanwhile, children, wives, and dependent older parents joined their working relatives in Germany: the percentage of nonworking Turkish nationals in Germany increased from 24% in 1969 to 32.3% in 1973. In addition, over one third of the 70,000 Turkish children in Germany attended German schools in the late 1960s.[137] These subtle developments—not intentional on the part of individual migrant workers—completely changed the tone of public debate over labor policy. Newspapers and politicians shifted from speaking about the economic origins and impact of the guest worker migration to focusing on the social complications of allowing a permanent, culturally distinct minority group. Thus, by the time of the 1973 Oil Crisis, the "guest worker question" no longer revolved around the costs and benefits of short-term migration, but rather the challenges of integrating members of a group widely perceived as culturally inassimilable.

This final chapter narrates the development of the guest worker program from 1967 until its termination in November 1973, and considers the short- and long-term economic ramifications of West Germany's approach to stopping guest worker recruitment. Furthermore, by examining the rhetorical shift from identifying guest workers as perfectly flexible man-hours to characterizing them as a burden for the German welfare state, this chapter will set up the current debate with regards to European Union labor migration policy and address how the questions and methods used in this thesis can help contribute to a better understanding of how international labor networks influence economic growth.

[136] Karin Hunn, *"Nächstes Jahr kehren wir zurück--": die Geschichte der türkischen "Gastarbeiter" in der Bundesrepublik* (Göttingen: Wallstein, 2005) 208.
[137] Ibid.„ 208.

1968 Recovery

As discussed in Chapter 2, the 1967 recession witnessed a negative growth rate (-0.2%) for the first time in the postwar era. Members of the Bonn government were satisfied that the guest worker migration functioned as a safety valve for the domestic labor market: namely, that guest workers could perfectly accommodate fluctuations in the demand for German labor. West Germany had successfully exported unemployment: in 1966, there had been 1.3 million total guest workers; in 1967, the number dropped to 904,000; but post-recession, it reached 2 million by 1970.[138] The structure of foreign labor within the German economy, predominant in manufacturing and heavy industry, had not changed pre- and post-1967, enabling continuity in unskilled and trained job opportunities for guest workers.[139]

As growth rates in West Germany rebounded to 7.3% in 1968, recruitment revived strongly, particularly from Turkey. Between 1968 and 1973, an additional 633,851 Turkish men and women came through the Employment Office in Istanbul alone, not counting the estimated 40,000-60,000 unofficial Turkish workers who overstayed their tourist visas.[140] Indeed, by 1973, every ninth worker in West Germany did not possess a German passport: the percentage of foreigners as a part of the total work force had increased from 5.3% in 1968 to 12.9% in 1973, or 2.6 million workers.[141] Meanwhile, in tandem with an increase in the total number of foreign workers, the total number of nonworking foreigners grew even faster: the share of nonworking Turks rose from 24% of all Turks in Germany to 32.3% in 1973. Furthermore, more and more Turkish workers registered at the Employment Office not only for the better job opportunities in West Germany, but also to rejoin family and friends who had been working abroad for many years. Previous experiences over the last decade with the Employment Office helped new

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[138] Castles, "The Guests Who Stayed," 519.
[139] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 229.
[140] Hunn, *Nächstes Jahr kehren wir zurück,* 208.
[141] Ibid., 208.

migrants to navigate the complicated bureaucracy, making it easier to reunify their families. By 1970, over 70,000 children of Turkish workers lived in West Germany, of which approximately one-third attended German public schools.[142]

Thus, through the late 1960s and early 1970s, the Bonn government continued to treat the "guest worker question" primarily as an economic issue. In 1971, Labor Minister Walther Arendt issued an official statement that his ministry was simply not interested in capping foreign employment, since foreign employment depended entirely on the labor market.[143] However, policy decisions began to slowly erode the flexibility of the guest worker market and transform the relationship into one of enduring integration. In 1971, the Labor Ministry passed the Ordinance on Work Permits, granting foreigners who had been employed in West Germany for more than 5 years another 5-year visa that could not be revoked in times of economic turmoil.[144] This provided a sense of long-term stability and enabled guest workers to consider starting families in Germany or bringing their Turkish families over. Some even became involved in political activism to lobby for equal pay, better pensions, and better housing. By this point, over 20% of foreign workers had joined a union (compared to 30% of Germans). Strike activism, particularly by foreign women protesting wage discrimination in the Pierburg Auto Parts Factory from 1971-1973 sent a strong national signal that they were "no longer seeking solutions to short-term problems; they were signaling that they were there to stay."[145] By May 1972, the Ordinance affected 400,000 workers holding citizenship to non-European Economic Community (EEC) member countries in addition to the 500,000 Italians who, as members of the EEC, already possessed unlimited work visas.[146]

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[142] Ibid., 208.
[143] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 231.
[144] Ibid., 231.
[145] Jennifer Miller, "Her Fight Is Your Fight: 'Guest Worker' Labor Activism in the Early 1970s West Germany," *International Labor and Working Class History* 84 (Fall 2013): 227.
[146] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 232.

Yet, as the number of guest workers climbed and climbed to 2.6 million by mid-1973, newspaper editorials in *Die Zeit* and the *Frankfurter Allgemeine* began to wonder if "a threshold had been crossed" now that guest workers were increasingly joined by their family members, claiming that the cost to society per foreign worker had increased from 30,000 DM annually to over 200,000 DM due to integration-related expenses, such as proper housing, public education, and payout of retirement and child benefits.[147] The new lack of flexibility became a hot-button issue for the German government. Barely a year after he had rejected the ministry's interest in capping foreign labor, Labor Minister Arendt stated that:

> The regional mobility of foreign workers lessens with increasing length of stay and the associated fact that such workers are often joined by family members and dependents. In addition, a continued influx of foreign workers may mean that certain labor-saving investments are not being made. The upshot of this is that the growth rate for labor productivity is sinking. Increasing numbers of foreign nationals and longer periods of stay are, at the same time, leading to increased private and public expenditures for measures of absorption and occupational structuring. Somewhere a point will be reached where the drawbacks outweigh the advantages of growth.[148]

Chancellor Willy Brandt shared this cautious assessment. In his *Regierungserklärung* before the Bundestag in January 1973, he urged the Bonn government to "consider where the ability of our society to absorb has been exhausted" and potentially curb guest worker recruitment.[149]

International Macroeconomic Developments, 1970-1973

However, more was going on in the international market than just some perceived saturation of Germany's ability to accommodate guest workers. Beginning in the early 1970s, the economic market underwent shifts that would entirely debunk the theories dominant during the

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[147] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 232.
[148] Ibid., 233.
[149] Ibid., 234.

postwar economic boom. While the 1960s had been notable for temperate inflation and growth rates around 8-12% per year, the 1970s saw burgeoning inflation combined with declining growth rates and, for the first time since the Economic Miracle, unemployment. These new developments did not cause a recession, but rather constituted a slowdown of much of the Western world's economies. Furthermore, as international markets became increasingly interdependent, the troubles of the 1970s stemmed not from natural "boom and bust" business cycles, but rather from monetary policy, import costs, and the 1973 Oil Crisis.

First, the economic slowdown was worsened by the US decision to remove fixed exchange rates. The US dollar had been tied to a gold standard and served as an "anchor" for the world currency system since the postwar Bretton Woods agreement. However, US dollars became overvalued as the United States sunk into debt during the Vietnam War, and when the US began to worry that its creditors would demand gold reserves instead of cash payment, the Nixon Administration decided to float the US dollar.[150] In practice, this meant that all European currencies now floated against a changeable American dollar, which in turn meant inflation as the US dollar devalued itself and currency-trading markets became speculative and uncertain. This was compounded by the Western European governments' attempts to use monetary policy to forestall any chances of a downturn—almost across the board, countries eased credit access and allowed prices to rise. Inflation thus became comparatively severe: in noncommunist Europe, inflation had been 3.1% from 1961-1969, but more than doubled to 6.4% from 1969-1973. Cost of imports skyrocketed across this same span: between 1971-1973, nonfuel commodities jumped up 70% while food prices climbed to 100% more than their 1971 levels.[151] While some European countries were largely tolerant of some degree of inflation, West Germany maintained its

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[150] Tony Judt, *Postwar: A History of Europe since 1945* (New York: Penguin Press, 2005), 454.
[151] Judt, *Postwar*, 454.

historical aversion and fears of an unemployment crisis—perceived to be manufactured by the international markets—began to take root.

In October of 1973, the crisis became political when the oil-exporting Arab states instituted the Oil Embargo against the United States in protest to the US's support of Israel in the Yom Kippur War. Throughout the postwar era, the price of oil had barely changed: Saudi light oil cost $1.93 per barrel in 1955 and only $2.18 in 1971, meaning that, accounting for moderate inflation, the cost had actually decreased over the decades.[152] As the cost of oil doubled, the Oil Embargo moved the world markets into a recession from 1973-1975 since Western Europe relied on oil for 60% of its energy use and West Germany depended so heavily on automobile and transport industries.

It was in this context of international uncertainty that attitudes in West Germany against guest workers began to harden. Guest workers bore the brunt of unemployment—from 1974 to 1975, 4 out of 5 BMW employees who lost their jobs were not German citizens—thus allowing West Germany's officially reported unemployment rate to remain close to 0%. If the foreign workers had been included in these calculations, the rate would have been closer to 8%.[153] Furthermore, as stagflation (the combination of price inflation and economic stagnation) pushed prices up faster than wages could adjust, low-skilled workers in particular felt the pinch of their devalued savings.[154] Their employers also acutely felt the downturn: first, the slumping demand for manufactured goods caused a reduction in corporate revenue, and second, the high inflation rate ate away at their profit margin. Thus, given that the economy was taking a nosedive and that the Bonn government increasingly judged the guest worker population to be a permanent,

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[152] Judt, *Postwar*, 455.
[153] Ibid., 457.
[154] Miller, "Her Fight Is Your Fight," 231.

burdensome minority population instead of a flexible reserve labor force, the Willy Brandt cabinet decided to solve the "guest worker question" once and for all.

The Anwerbestopp: 1973

As these factors—decreasing mobility of guest workers, the inflationary slump, and the uncertainty in the demand market caused by the Oil Crisis—converged in the public debate around labor policy, most commentators and government officials began to acknowledge that a policy change had to be negotiated. An official policy statement of the Bundestag, however, reaffirmed the conclusions drawn from the 1967 recession: "The limitation of the duration of stay of foreign employees will not effected through (police) measures under the law relating for foreigners…Given past experience, the federal government continues to proceed from the assumption that the overwhelming number of foreign employees will not stay permanently in the Federal Republic of Germany."[155] This assumption, as the labor historian W.R. Böhning points out, took "for granted" that the workers were "rationally calculating," and motivated only by economic opportunity and not cultural or quality-of-life considerations.[156]

Therefore, the Bonn government first attempted to curb the influx of guest workers through reducing demand: in July 1973, the fee paid by each firm for the recruitment of an additional foreign worker was raised from 300 DM to 1000 DM. This move was intended to incentivize the firms to preferentially recruit native Germans as opposed to guest workers. However, since the unemployment rate for native Germans was still close to zero, the higher fee did not substantially affect firms' demand for more workers.[157] In 1973, only 120,000 individuals

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[155] W. R. Böhning, *Studies in International Labour Migration* (London [u.a.]: MacMillan, 1984), 126-127.
[156] Ibid., 127.
[157] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 234.

were officially considered to be unemployed—far less than 1% of the work force.[158] Thus, the government turned to reports published earlier in the 1970s to better predict how to lower the number of guest workers. These reports estimated that, if no new guest workers were allowed to obtain visas and the economy remained stagnant, approximately 200,000 to 300,000 would voluntarily choose to return to their home countries as jobs dried up, while approximately 40,000 to 50,000 children of guest workers would come of working age every year—resulting in a net reduction in the foreign population by around 250,000 per year. Furthermore, since no new immigrants would be entering West Germany under this scenario, the net social burden would also decrease substantially.[159]

Thus, on November 23, 1973, the Bonn government decided to initiate a complete stop in all guest worker recruitment (*Anwerbestopp*). It banned all further entries of guest workers from non-EEC (European Economic Community) countries, and was designed with the intent of allowing the foreign population to slowly dwindle until it became insignificant.[160] On the day of the *Anwerbestopp*, the Employment Office had over 60,000 applications from West German firms to recruit more guest workers, but their applications were simply cancelled and no more applications were permitted.[161] More important, the *Anwerbestopp* was not passed into law as temporary relief from the Oil Crisis, but rather as an attempt to solve the long-term questions associated with an imported ethnic minority: the burden of public education, social housing for families, and the provision of welfare payments. As historian Ulrich Herbert puts it, the embargo was a minor factor that provided the impetus to "check the influx of foreign workers and reduce

[158] Special to The New York Times, "Bonn Curbs Hiring of Foreign Labor," *New York Times*, November 24, 1973.
[159] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 234.
[160] Castles, "The Guests Who Stayed," 519.
[161] Times, "Bonn Curbs Hiring of Foreign Labor."

their numbers—without any great resistance from the worker-exporting countries and without wearying public discussion on the social consequences of this measure."[162]

Additionally, the law reflected permanent changes in the structure of the labor market. While the industrial landscape of Germany did not substantially shift pre- and post-1967, traditional—and largely unskilled—industries in West Germany did notice substantial declines in the early 1970s. These industries, such as steel, iron, textiles, heavy manufacturing, and mining overwhelmingly relied on guest worker migration. However, as automation streamlined production processes, manufacturing industries increasingly relocated to non-European countries, and the worldwide demand market slumped, firms demanded fewer unskilled guest workers. Thus, firms did not fight the *Anwerbestopp*, since their demand for additional recruitment was substantially lower than just a few years earlier.[163] Moreover, the law did not revoke visas from guest workers already in West Germany. Foreign workers who already lived and worked there could remain in their positions until their visas expired (usually visas were one- or two-year guarantees,) and after that point, renewal would be negotiated on a case-by-case basis. Labor Minister Arendt even declared that the *Anwerbestopp* was a "precautionary measure" and that there was "no serious concern for those workers already holding jobs."[164] As a consequence, the *Anwerbestopp* was intended to serve as a watershed between the 1960s, a period of economic explosion and matching influx of foreign workers, and the 1970s, a period of economic slowdown and the gradual decline in foreign populations.

[162] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 235.
[163] Jochen Oltmer, Axel Kreienbrink, and Carlos Sanz Díaz, eds., *Das "Gastarbeiter"-System: Arbeitsmigration Und Ihre Folgen in Der Bundesrepublik Deutschland Und Westeuropa ;*, Schriftenreihe Der Vierteljahrshefte Für Zeitgeschichte 104, 11.
[164] Times, "Bonn Curbs Hiring of Foreign Labor."

The Turkish Minority after the *Anwerbestopp*

In the first few years following the *Anwerbestopp*, the Bonn government's predictions more or less matched up with reality. From 1973-1975, the number of foreign workers declined by the anticipated 250,000 per year, meaning a reduction by half a million. However, during this same period, the total number of foreigners in West Germany actually increased from year to year. This tradeoff persisted: although the number of immigrant workers in Germany fell from 2.6 million in 1973 to 1.8 million in 1977, remaining at that level up until 1989, the actual resident immigrant population climbed from 3.97 million in 1973 to 4.14 million in 1979, reaching 4.9 million in 1989.[165]

Simply put, the population of foreigners living in West Germany shifted from being considered as *temporary guest workers* to *permanent residents* who were now wary of leaving Germany. They were unsure if they would be allowed re-entry if they visited Turkey, and as such, these foreigners decided to bring over their wives, children, and parents to West Germany instead of simply sending their wages home every month and expecting to eventually return to their native country. Thus, the *Anwerbestopp* actually sparked a massive immigration of nonworking, dependents, since families could join workers in West Germany.[166]

However, this effect did not equally hold for all ethnic groups. As job opportunities in West Germany dried up, many Italians, for example, chose to return home after 1973, as did many of the Spaniards and the Greeks. Indeed, from 1969-1976, 94% of Italian workers in West Germany returned to Italy; 76% of Greek workers returned to Greece; 95% of Spanish workers returned to Spain; 56% of Yugoslav workers returned to Yugoslavia; but only 24% of Turkish

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[165] Oltmer, Kreienbrink, and Sanz Díaz, *Das "Gastarbeiter"-System*, 12.
[166] Ibid., 12.

workers returned to Turkey. In total, from 1961-1976, 68% of all guest workers returned to their countries of origin, and of those who stayed, the vast majority was Turkish.[167]

Many factors account for the differences in remigration rates, including original intentions regarding duration of stay and different political climates back home. Furthermore, the economic component provides persuasive rationale: while Italy, Spain, and Greece developed larger industrial sectors through the 1960s and 1970s and had viable job opportunities—if not identical wages—for returning migrants. These countries also had some degree of unemployment assistance, some social welfare, and stable political climates. Essentially, the choice to stay in a stagnant West Germany or to return home did not constitute a problematic dilemma. Most (roughly 9 out of 10) Italians, Greeks, and Spaniards chose to return home.

However, this was not the case in Turkey. Since Turkey had no system of unemployment benefits and thus no formal registration of the country's unemployed, estimates of average unemployment rates through the 1970s ranged wildly. By most accounts, unemployment had stabilized at around 10% through the 1960s after the military coup in 1961, but increased sharply during the Oil Crisis in 1973 to the mid-teens.[168] Furthermore, Turkey's method of appeasing labor activism catalyzed drastic inflation that kept wage growth out of pace with other industrialized countries. Turkish workers would often strike for higher wages, which would be granted by the employers; then, the government would intentionally hike prices and increase the money stock to keep real wages (adjusted for inflation) more or less constant. Thus, over the same time period that real wages in West Germany increased almost 120% from the early 1960s to the 1970s, real wages in Turkey only increased about 50%.[169] Meanwhile, the industrial landscape of Turkey had not substantially changed since the 1950s: still overwhelmingly

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[167] Böhning, *Studies in International Labour Migration*, 144.
[168] Erik Jan Zürcher, *Turkey: A Modern History*, Rev. pbk. ed (London ; New York: I.B. Tauris : [Distributed by St. Martin's Press], 1997), 284.
[169] Ibid., 286.

agricultural, Turkey offered returning migrants little to no opportunity to put the human capital they accumulated in West Germany to use. Thus, it was in guest workers' financial best interests to remain employed in West Germany whenever possible.

Turkey also witnessed political instability throughout the early 1970s. Following the popular student revolutions throughout Europe and North America in 1968, youth street activism turned violent in Turkey and was met with military crackdowns. Workers' protests in 1970 found themselves up against armed troops. Political violence became increasingly common, and in 1971, the military issued an ultimatum, forcing the Prime Minister to resign in order to restore order within the country. The new government, headed by the right-wing Kemalist Nihat Erim, nationalized the mineral industry, passed protectionist taxes, and instituted martial law in 11 of Turkey's provinces. Backed by the military, Erim's government arrested about 5000 members of the leftist party (mostly intellectuals, trade union members, and journalists) on suspicions of terrorism. The Worker's Party was also officially dissolved in 1971.[170] Through the 1970s, the political coalitions remained weak in promoting industrial expansion and alleviating unemployment, while military crackdowns on popular protests brought the annual death toll of political violence up from 230 people in 1977 to around 1500 in 1979. The violence did not revolve around any one political goal, but rather reflected increasing splinters within Turkey. Kurdish separatists aligned with the leftist parties, while the Grey Wolves, a Turkish ultra-nationalist and neo-fascist youth organization, organized militant action in support of the extreme right. Estimates of political violence through the 1970s vary widely by source, but most cite a minimum of 10 assassinations per day. By 1980, martial law had been instituted in 20 provinces.

This instability reached an apex with the 1980 military coup. The military discarded the Parliament, the Constitution, and all trade unions and political parties, and attempted to create unity among the separatists, secularists, and political enemies. Furthermore, the military

[170] Ibid., 272.

government wanted to connect Turkey's stagnant economy to booming global business. At the time of the coup, year-to-year increases in consumer price had reached 140%, but within four years, the new government lowered this rate of increase to 33%.[171]

Given this extreme political uncertainty and economic insecurity, most Turkish guest workers decided to stay in West Germany. This was made all the more attractive when, effective January 1, 1975, the Bonn government passed provisions to increase child support available to foreign workers, but only if the children resided in West Germany. The policy intended to reduce the burden on German social coffers by reducing eligibility of child support claims—however, it had the reverse effect. Turkish workers in particular began to bring over their families at a much higher rate than before, further cementing their status not as guest workers, but as a permanent ethnic minority requiring social expenditure.[172]

Long-Term Ramifications and West German Policy towards Guest Workers

Throughout the heyday of the guest worker program, few, if any, government officials publically addressed the social consequences of a mass importation of foreigners. They simply expected the foreigners to leave when the demand for jobs decreased. After the *Anwerbestopp*, however, concerns about integration and consequent xenophobia—in particular directed at Turks as Muslims and Turkish culture—began to dominate the economic debate. By 1976, the Ministry of Labor publically stated that any hope of assuaging concerns by reducing the total number of foreigners in West Germany was "delusional," since now, the concerns were focused on trends of family unification, birth rates, so-called "ghetto education," the sociological re-stratification of

[171] Aykut Kibritçioğlu, "A Short Review of the Long History of Turkish High Inflation," *Economics Bulletin* 28, no. 2, Economics Bulletin (2004), 7.
[172] Herbert, *Geschichte der Ausländerpolitik in Deutschland*, 247.

urban populations, and increased insecurity.[173] Indeed, in 1974, 17% of children born in West Germany had foreign parents, and while 66% of all foreigners in West Germany worked in 1973, that percentage gradually dwindled down to just 40% by the end of the decade.[174] This shift meant an ever-increasing cost to taxpayers for educational accommodation, retirement and sick pay, and housing infrastructure for families as opposed to single workers. In 1977, the Bonn government's "Proposals of the Federal and State Commission on the Continued Development of a Comprehensive Conception for the Policy of Foreign Worker Employment" reaffirmed Germany's "Basic Principle #1," that "Germany is not a country of immigration."[175] The report continued: "Germany is a place of residence for foreigners who will eventually return home."[176]

At the same time, the Bonn government did little to simply apply a tourniquet to foreign work altogether. The original Ordinance on Work Permits that curbed new applications stipulated that foreign nationals (including dependent children coming of age) who entered the West German workforce after November 30, 1974 were disqualified from receiving any new or renewed work permits. However, in 1974, this cutoff date was pushed back to 1977, then to 1980, then to 1981, and continued to be stalled until it was officially dropped. In this sense, although Germany rhetorically disassociated itself with foreign labor, the policy enacted by the Bonn government unintentionally reinforced migrant labor and particularly Turkish labor as a permanent facet of the West German economy. Although they offered 10,500 DM (plus an additional 1500 for each child) to any Turkish guest worker returning to Turkey, made the oldest age for bringing dependent children 16 years old, and attempted to make the spousal requirements

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[173] Ibid., 237.
[174] Castles, "The Guests Who Stayed - The Debate on 'Foreigners Policy' in the German Federal Republic," 519-520.
[175] Ibid., 247.
[176] Judt, *Postwar*, 457.

for visa applications more complicated, a steady net positive flow persisted through the 1980s.[177] Additionally, during the high unemployment in West Germany from 1974-1978, immigrant non-EEC workers registered 6,370,000 requests for a new work permit or a renewal of an existing one, and only about 2.4% of these requests were refused.[178] The Turkish population increased even further when, after the violent military coup in 1980, 60,000 Turks applied for and received political asylum in West Germany.

According to Rita Chin, policymakers did not "take active steps either to integrate foreign workers into West German society or to facilitate their eventual return to their homelands."[179] Scholars writing during the 1970s, as this process unfolded, referred to the Bonn government's actions as "structural ambivalence."[180] Since guest workers, in particular the non-European, non-Christian Turks, had been treated as transient fixtures for so long, the government did not know how to actively include them in the day-to-day social, cultural and political life of West Germany. Important questions were whether labor migrants should be able to vote, should attend the same schools as German children, should be offered free language education, should be eligible for the same unemployment insurance, and how West Germany should accommodate different cultural norms, especially regarding religion and gender roles.

However, "integration" on the national level could be deemed successful, at least theoretically. Turks and their families were granted permanent resident status; they did attend German schools; and as of 1972, could run for office in a company workplace council.[181] Furthermore, while some degree of "ghettoization" often made news, Turks were far less

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[177] Martin Greve et al., *Das türkische Berlin* (Berlin: Ausländerbeauftragte des Senats, 1998), 18-19.
[178] Böhning, *Studies in International Labour Migration*, 127.
[179] Rita C.-K. Chin, *The Guest Worker Question in Postwar Germany* (Cambridge ; New York: Cambridge University Press, 2007), 94.
[180] Chin, *The Guest Worker Question in Postwar Germany*, 94.
[181] Leo Lucassen, *The Immigrant Threat: The Integration of Old and New Migrants in Western Europe since 1850*, Studies of World Migrations (Urbana: University of Illinois Press, 2005).

segregated in major German cities than other comparable ethnic minorities in other countries. The segregation index for blacks in America is around 81; the highest level in Western Europe is 68 (for Bangladeshi in London); while the segregation index for Turks in Germany is only 20-40, depending on the city. Within neighborhoods, Turks are generally concentrated in certain buildings due to rent availability or certain streets due to Turkish-owned businesses, but overall, the Turkish minority did not exist as separately as many news articles on *Überfremdung*, or "over-foreignization," may have guessed.

However, the main failure to integrate occurred on the local level. Individual *Länder*, the German states, which oversaw the school system, did not take action to offer specific language instruction in mixed ethnic settings, and in Bavaria, the Christian Socialist Party published a manifest declaring the Turks to be a "biological and cultural threat" to the German people.[182] By the later 1970s, most West German politicians had to acknowledge that ignoring an ethnic minority risked more than integrating them, and that federal overtones towards integration could not have a substantial impact without on-the-ground cooperation from the *Länder.* Both the Social Democratic Party (SPD) and the Christian Democratic Union (CDU) proclaimed policies for integrating school classrooms and promoting "intercultural education." However, this program was aimed not at creating a "melting pot," but at assuaging vocal criticisms and reducing the social burden of migrants. The CDU even emphasized that social integration "does not mean an assimilation which works towards making foreign workers and their families into Germans. To the concept of social integration also belongs the preservation and support of the foreign workers and their families' ability to reintegrate."[183]Thus, once again, despite political rhetoric geared towards integration, the implications were clear: the Bonn government still expected foreign *workers* to eventually return to their home countries.

[182] Lucassen, *The Immigrant Threat*, 152.
[183] Chin, *The Guest Worker Question in Postwar Germany*, 98.

Yet, that too proved unsuccessful. The foreign population was no longer primarily made up of *workers*, nor were they entirely *foreign*. By 1980, approximately 212,000 Turkish family members had migrated to Germany, almost as many as had previously been guest workers.[184] As Turks moved out of the dormitory accommodations near factories, Turkish life became visible in cities, particularly in Berlin, Frankfurt, and Stuttgart, with mosques, street food stands, travel agencies, tailors, and other businesses demarcating certain neighborhoods as predominantly Turkish. Furthermore, the clearly drawn lines between "Turks" and "Germans" began to blur, as children of Turkish guest workers came of age in West Germany. Many of these children had lived most—if not all—of their lives in West Germany, and identified neither as only Turkish or as only German. Citizenship normally is considered to be essential to assimilation: without it, immigrant groups can never fully integrate due to the psychological block created by being left out of the larger group. This pattern, where migrants are granted civil, social, and cultural rights, but not political rights, is sometimes referred to as "denizenship," and worked in tandem with structural ambivalence to keep Turkish residents separate from the rest of West Germany.[185]

Consequently, after West Germany created a the office of a Commissioner for Foreigners (*Ausländerbeauftragte*) in 1979, the new appointee Heinz Kühn "released a memorandum that condemned government policy for failing to admit or take responsibility for the social consequences of the labor recruitment," which was "obviously too much shaped by the priority of political, labor-market points of view…the majority of those affected are not longer 'guest workers' but rather immigrants."[186] The creation of this office signaled that West Germany realized that its ethnic minorities were there to stay, and, without issuing a formal statement on the matter, proved that the government knew that the condition of foreigners in Germany was

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[184] Greve et al., *Das türkische Berlin*.
[185] Ayhan Kaya and Aysegül Kayaoglu, "Is National Citizenship Withering Away?: Social Affiliations and Labor Market Integration of Turkish-Origin Immigrants in Germany and France," *German Studies Review* 35, no. 1 (February 2012): 113–134,225, 114.
[186] Heinz Kühn qtd. in Chin, *The Guest Worker Question in Postwar Germany*, 104.

important enough to warrant its own office. Kühn, deeply critical of the disinterested “structural ambivalence” of the Bonn government, represented the sea change in governmental attitudes towards meaningful integration. Beginning in the mid-1980s, the West German political parties adopted pro-naturalization policies that would allow the children of guest workers to become German citizens due to increasing tensions regarding the permanent Turkish minority.

Conclusion and Outlook

Turkish labor migrants, their German-born children, and grandchildren remain a crucial component of Germany’s economy. Yet they also remain, to a certain extent, locked into a process of *Unterschichtung*, or becoming a permanent socioeconomic underclass. Unemployment among Turkish citizens in Germany remain roughly twice as high as German citizens, and while female Turks are achieving substantial success transitioning to white collar jobs, 70% of Turkish men and women still worked in unskilled jobs as of 1999 (See Table 7).

Table 7: Job Levels of Turkish Men and Women, 1972-1999[187]

		Men (%)			Women (%)		
		Unskilled	Skilled	White Collar	Unskilled	Skilled	White Collar
1972	Germans	n/a	n/a	n/a	n/a	n/a	n/a
	Turks	84	16	0	97	3	0
1980	Germans	24	41	34	26	8	66
	Turks	76	22	2	91	5	4
1999	Germans	25	31	44	20	4	76
	Turks	71	23	6	70	5	25

Between the mid 1980s and the early 1990s, Central and Eastern Europe completely transformed as the Berlin Wall fell, Communist regimes across Eastern Europe collapsed, West and East Germany reunited, and Yugoslavia and the Soviet Union disintegrated. Germany became, as host to several large ethnic minorities, a diverse nation. Today, out of 82 million total residents in Germany, approximately 7 million are foreigners, of which 3 million are Turks. This third generation slot into all levels of the German social experience and labor force, as unskilled day workers, highly trained graphic designers, prominent politicians, and urban entrepreneurs. Furthermore, since reunification, paths to naturalization allowed approximately 300,000 Turkish migrants to gain Germany citizenship before 2000. In 2000, the Berlin government passed a new citizenship law, which lets all German-born Turks retain both Turkish and German citizenships until the age of 23. Then they must choose only one citizenship to maintain. This law has allowed an additional 600,000 Turks to gain citizenship.

[187] Lucassen,*The Immigrant Threat*, 163.

However, the choice between Turkish and German citizenship restriction was designed not only to subtly encourage young Turks to maintain ties with a Turkey they may have never lived in, but also to reinforce an isolationist version of tolerance. Under this model, Germans and Turks cannot integrate their respective cultures, but rather live in side-by-side neighborhoods, frequenting different grocery stores, restaurants, and workplaces. Since 2007, applicants for German citizenship must also pass a test of German "civic values" under a new "Nationality Act." "Civic values" are legally defined by this law as "basic knowledge of the legal and social order and the way of life in Germany, as well as competency in the national language."[188] Many outside observers have criticized this law, which is seen as particularly discriminatory towards practicing Muslims. Furthermore, although over 4 million individuals of Turkish origin reside in Germany, the Turkish population still faces discrimination, particularly with regard to the quality of public school education available to low-income urban households, poor housing options in low-income neighborhoods, and a small but noticeable degree of random violence against Turks. In that sense, while the "guest worker question" has fallen out of relevance, modern Germany still faces a "Turkish question" on a daily basis.

Meanwhile, since reunification and increasing ethnic conflict in Yugoslavia, Bosnia, and between Kurds and the ultra-nationalist Turkish youth organization called the Grey Wolves, external political violence sometimes occurred on German soil. Increasing numbers of political asylum seekers, who often drew unwanted attention from German hooligans, also contributed to increasing tension. Arson and street violence against dark-skinned foreigners made headlines regularly, and rightwing extremists intentionally killed at least 49 foreigners during the 1990s.[189] In one prominent case in May 1993, neo-Nazis in Solingen, Germany killed two Turkish women and three Turkish girls, injuring several others, in an arson attack explicitly targeting the migrant

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[188] Kaya and Kayaoglu, "Is National Citizenship Withering Away?" 118.
[189] Lucassen, *The Immigrant Threat*, 153.

family. While the case received ample media attention, Chancellor Helmut Kohl somewhat controversially chose not attend the funerals for the victims. Turks, in particular observant Muslims, remain a primary target for street hooliganism.

The story of guest worker migration to postwar Germany provides a detailed economic framework to understand how, over the course of a generation, West Germany went from rubble and reparations to the Economic Miracle to hosting millions of transient workers to unintentionally building a permanent ethnic minority into the bedrock of its productive economy. The economic narrative serves to clarify why the West German government simply ignored the social problems and did not develop integration policies for more than a decade. In some sense, the West German government's treatment of migrants as strict economic entities (and not as tangible human beings) constituted a missed opportunity—the government initially failed to anticipate the social presence of migrants, then did not take action to ameliorate tensions as they arose, and then, when it did institute policy and programs to help improve migrants' conditions, the policies were ineffective by not considering the totality of why migration occurred to begin with. Crucially, the West German government did not intend to create a massive social crisis when it initiated the guest worker program. Rather, structural ambivalence prevailed.

This recent experience also illuminates Germany's staunch position against allowing Turkey into the European Union. Germany faces a declining birth rate and sharp shortage of skilled labor, and should theoretically be lobbying for open European borders for labor migrants to help fix this problem. However, Germany is politically wary to support Turkey's candidacy not only on political, strategic, and humanitarian grounds—notably due to Turkey's refusal to officially acknowledge the Armenian genocide from 1915-1923—but also because a Turkish membership to the EU would mean unrestricted labor migration within EU borders and therefore even more Turks in Germany than there already are. Germany fears that this would encourage a new wave of Turkish temporary migrants, reprising all of the social, economic, and fiscal challenges of accommodating an ethnic minority.[190] Yet, economically, today's circumstances are completely different from those in the 1960s, when exponential growth rates allowed such a massive, impersonal influx of migrants. Turkey still experiences some degree of political instability, but overall, has a much stronger, much more industrialized economy in 2014 than it did through the 1980s. Since 2006, more people with Turkish backgrounds moved from Germany to Turkey each year than from Turkey to Germany (in 2011, 33,000 moved from Germany to Turkey and 31,000 moved from Turkey to Germany.)[191]

This honors thesis attempts to show why the economic initiation, context, and conclusion for the guest worker programs offer a persuasive explanation why Turks chose to make the journey to West Germany and why, even when the West German economy slacked off, Turks chose to stay. The economic perspective demonstrates why West Germany began to import migrant workers and how guest workers plugged into the German economy, and emphasizes that the postwar boom would not have been as successful without foreign labor migrants. Furthermore, economic considerations subtly highlight the government's structural ambivalence: it could minimize the social costs of accommodating migrants while maximizing the economic benefits of their labor. The economic perspective, moreover, elucidates why the Turks, a non-European minority, acted differently under similar external pressures than Italian or Portuguese guest workers. Today, the economics of it all continues to provide the underlying argument as to why Germany has maintained an enormous ethnic minority despite its political intentions.

The German press has largely ignored economic benefits associated with importing foreign labor migrants, focusing instead on xenophobia and the failure of diversity-based

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[190] Judy Dempsey, "A Difficult Choice for Turks in Germany," *The New York Times*, April 15, 2013, sec. World / Europe, http://www.nytimes.com/2013/04/16/world/europe/16iht-letter16.html.

[191] "Turkey Profits from German 'Brain Drain,'" *Deutsche Welle*, September 4, 2013, http://www.dw.de/turkey-profits-from-german-brain-drain/a-16731907.

integration initiatives. In the public German discourse about integration the implicit question is not why the resident Turkish population came to and chose to stay in Germany, but rather why Turks have not left. I argue that, by understanding the economic side of the story, we can understand more precisely how and why Germany faces its "Turkish question." Furthermore, the case of Turkish migrants to West Germany and how they were officially treated as temporary economic entities rather than a potential permanent minority cautions against future labor transfer programs that look to fix a quick labor supply problem and fail to anticipate consequent social pressures. Thus, an economic and historical analysis of Turkish guest worker migration to postwar West Germany clarifies and reframes the current social debate over the Turkish diaspora in modern Germany.

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ACADEMIC VITA

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Education

The Pennsylvania State University, **Schreyer Honors College**
Bachelor of Arts in History, Bachelor of Arts in German Studies
Minors in Economics, International Studies

Thesis: An Economic and Historical Analysis of Turkish Labor Migration to Postwar West Germany

Study Abroad: IES Abroad in Berlin, Germany, *Spring 2012*
Completed 16 credits of coursework in German via Humboldt University

Languages: Advanced fluency in German, reading and listening knowledge of French

Professional Experience

U.S. Department of State, Berlin, Germany**,** *May – July 2013*
Intern in the Economic Section**,** U.S. Embassy, held security clearance to the secret level

- Researched and wrote State Department cables on Germany's energy policy, the Transatlantic Trade and Investment Partnership, the Eurozone crisis, and classified topics
- Assisted with coordination of diplomatic events including President Obama's visit to Berlin
- Composed briefing memos in both German and English

VERBI Software GmbH, Berlin, Germany, *June 2012 — August 2012*
Marketing Intern

- Wrote copy and formulated slogans
- Translated newsletters and technical documents, edited and designed webpages in HTML via WordPress
- Developed user manual and Apple App Store description for a qualitative data analysis iPad/iPhone app
- Promoted software to students and researchers at social research conferences

Leadership and Activities

History Roundtable –President, *May 2012 – Present*

- **O**rganize weekly meetings, plan Career Resource Panels, Faculty Colloquia Series, the Undergraduate Research Conference, and field trips, manage executive board, represent undergraduates to faculty leadership

State of State – Content Director**,** *January 2013 – Present*

- Founding executive of initiative to create a forum for constructive discussion in the Penn State community

- Plan conference format, identify, recruit, and manage potential speakers, curate topics, lead a committee of ten volunteers

IES Abroad – Student Council in Berlin**,** *February 2012 – August 2012*

Kalliope **Undergraduate Literary Magazine** – Nonfiction editing staff, *September 2010 – May 2013*

Schreyer Honors College Mentor, *February 2011 – September 2012*

Grants, Awards, and Honors

Discovery Grant – Research in Berlin and Stuttgart, Germany, in pursuance of honors thesis, *Summer 2013*

Paterno Fellow in the Liberal Arts

Phi Beta Kappa (Spring 2012), **Phi Kappa Phi** (Spring 2012)

Delta Phi Alpha, German Honors Society, **Phi Alpha Theta**, History Honors Society

Evan Pugh Scholar Award, President Sparks Award, President's Freshman Award

Additional Employment

Penn State Libraries, Arts and Humanities – Research Assistant, *June 2010 – Present*

Pennsylvania Academy of the Arts – Tap Dance Teacher, *August 2010 – Present*

Centre County Board of Elections – Harris Township East – Clerk, *November 2012 – Present*

State College Area High School – Grader for AP Practice Essays, *February 2011 – Present*

Skills

Research: JSTOR, ProQuest, EBSCO, LexisNexis, Zotero, Endnote

Data Processing: Excel, MAXQDA (Qualitative Data Analysis)

Web Design: HTML via WordPress, Omeka