Two decades of re-unification have done little to bring down economic disparities between East and West Germany. One explanation for this fact is provided by institutional economics, which suggests that enduring regional inequality might be due to embeddedness in historically established institutions and culture. In the case of re-unified Germany, formal institutions have been equalized between East and West (Streeck, NPE 1997). Any institutional explanation for enduring divergence therefore has to lie in informal institutions; norms, expectations, beliefs, and values. Häder and Häder (1995) and Wagner (1999) argue that the partition of Germany did not only constitute political-economic division, but also created ‘eine Mauer im Kopf’. The question is how persistent this ‘cultural wall’, created by four decades of division, is. Little empirical work has been done on this question. An important exception includes Alesina and Fuchs-Schündeln (AER, 2007), which has a number of shortcomings. First, it makes claims about a trend on basis of observations at two points in time. Moreover, it pays little attention to the mechanisms behind any value convergence. Finally, it ignores criticism of values surveys data (Clarke et al., APSR 1999; Maseland and van Hoorn, JIBS forthcoming).

This paper investigates value convergence in unified Germany on basis of panel time series data, available in G-SOEP. By making it possible to draw biographies of respondents, G-SOEP also enables us to establish the mechanisms behind any convergence between East and West. We distinguish between a value shift between generations and a value shift within respondents. We also show how much of convergence is driven by actual value change, as opposed to diffusion of values due to migration. Finally, it is indicated that convergence is a symmetric process, with West Germany experiencing shifting to less market-oriented values and East Germans shifting to a more market-oriented value orientation.