



André Steiner. *Von Plan zu Plan: Eine Wirtschaftsgeschichte der DDR.* München: Deutsche Verlags-Anstalt, 2004. 275 S. EUR 19.90 (broschiert), ISBN 978-3-421-05590-3.



Reviewed by Alfred Reckendrees (Department of Economic and Social History, University of Cologne)

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A Tragedy in Five Acts: The Economic History of the GDR

This fine textbook on the economic history of the German Democratic Republic (GDR) is recommended to all students and scholars interested in the history of the GDR. It is well known that, in 1989, the “socialist” state collapsed largely because of economic problems and defects that the people did not want to endure any longer. Yet, in spite of the extensive research on the history of the GDR, this is the first comprehensive economic history of that socioeconomic experiment. The well-written book is easy to read and, even for readers with little economic knowledge, not too difficult to understand. Nevertheless, some basic knowledge about the political history of postwar Germany and the GDR is necessary to follow the author.

As a “prelude” Steiner analyzes the initial conditions of the period after the Second World War. The later GDR inherited a challenging industrial structure. The Soviet Zone was poor in raw materials and basic industries because of the traditional regional industrial division of labor in Germany. Destruction from the war and reparations to the Soviet Union enlarged the structural problems. The book’s description of the new state’s economic

status is supplemented by the introduction of the economic players (here especially political forces and concepts) and the rules of the game, including the institutional arrangements of the Soviet Zone (such as land reform and nationalization of industry). This institutional order determined the premises of the economic development of the GDR, which was founded in 1949.

The narrative of the following five “acts” corresponds very roughly to the political breaks in the history of the GDR where, as Steiner demonstrates throughout his book, economics followed politics. It even seems as if the latter in fact induced the ongoing cycle of economic crises. The five “acts” cover the following periods: (1) 1949-53: the establishment of the planned economy until the caesura of June 17, 1953, and Stalin’s death; (2) 1953-61: the concentration on heavy industry and the paucity of consumer goods until the erection of the Berlin Wall; (3) 1961-71: the period of the New Economic System of Planned Administration (*Neues Ökonomisches System der Planung und Leitung*) until the crisis of 1969-70 and the rise of Honecker; (4) 1971-82: the period of the Entropy of Economic and Social Politics (*Einheit der Wirtschafts- und*

Sozialpolitik) until the debt crisis of the 1980s; and (5) the decline from 1982 until the collapse of November 1989.

Steiner's detailed and informative narrative is concentrated on the macroeconomic level. He carefully analyzes five aspects, beginning with the general economic, social, and political aims as articulated by the Central Committee of the SED, the different commissions for economic planning, and the institutional framework of the economy (for example, the foreign trade monopoly of the state). Secondly, Steiner examines the general development of industry and agriculture, including gross and net investment and the costs of the respective economic strategies. Thirdly, the analysis covers the inherent problems of economic planning and administration. The fourth aspect is concerned with consumption and the standard of living and the fifth with monetary problems (increasing internal and international debts), which became more important beginning in the 1970s.

Most importantly in my view, Steiner identifies—apart from the general problems resulting from the material effects of World War II—three interlaced structural problems of the economy of the GDR: the problems of (lacking) political legitimacy, overloaded economic planning and separation from world markets. Of course, this stance is not new, but for the first time, Steiner presents it in the form of a comprehensive, convincing narrative. And textbooks should not start with a scholarly provocation.

As Steiner shows regarding the matter of political legitimacy, from the very beginning of the GDR, the Central Committee of the SED acted as a sort of “total employer” with the function of capital accumulation in order to organize and guarantee innovation and investments. Conversely, the legitimacy of the SED's political authority depended on its ability to fulfill the material needs and wishes of the people—which means it depended on the distribution of economic earnings. The resulting dilemma was intractable. Two times it was “solved” by military intervention (1953, 1961); and afterwards, especially from the 1970s, the government (very generally) preferred investment over distribution. From then on the GDR literally consumed more than it produced because social welfare could only be financed by increasing debt.

Moreover, with regard to the issue of overloaded economic planning, Steiner reminds the reader that the general problem of planning may be considered as a problem of knowledge and of correct anticipation of future developments. In the GDR, though the system of plan-

ning changed over time, an increasing number of product plans, in fact many thousands of them, was constructed in order to fulfill industrial, agricultural, and consumer needs. One problem was the development of a coherent strategy toward investments (how many? in which sectors?). For example, beginning in the 1970s the SED favored expenditures for consumption, especially the subsidy of housing and food. Economic plans steered investments into electronic engineering, whereas investments in infrastructure, commuting, and communication were postponed. In turn new products came late, production processes had to be stopped, motivation was reduced and so on.

Planning was further based on the problematic evaluation of economic performance, because there was no adequate comparative measure. Apart from short periods, production costs were used as a measure. This method of calculation created an incentive for the extensive use of labor and capital instead of productivity increase and by this effect, the concept of production costs hindered structural change—for several years production was rewarded even if products were not sold. Prices were mainly fixed and intersectoral comparison was nearly impossible. Also the consumers had few opportunities to inform the producers (and planners) of their needs and wishes. These were instead defined by the authority. Erich Honecker himself was famous for statements about how the fulfillment of needs for food, housing and work would protect socialism. In a similar way, the knowledge of the production units was insufficiently used for economic planning. As a result, the economy was inflexible and authoritarian just like the political system.

Thirdly, Steiner underlines the reader's awareness that the economy of the GDR (and COMECON) tended to separate itself from the world markets in response to Western embargo politics beginning in the 1970s. To overcome the limits of such small economies and employ economies of scale, the East developed a separate planned “socialist world economy.” This measure, however, created problems according to the extent of rigidities on the national level. At the latest after the oil crisis of the 1970s it became evident that the “socialist world economy” was not independent of world markets. One indicator of this dependency was the increasing amount of foreign debt necessary to finance the highly consumption-oriented strategy of the Entity of Economic and Social Politics.

Steiner's convincing analysis and detailed and suggestive description are mainly based on a broad read-

ing of the relevant literature and his own empirical research.[1] He provides the reader with a useful annotated bibliography (although the publisher unfortunately omitted a reference list, which would have been appreciated by academic readers). This textbook is an excellent resource for students and scholars of GDR history. American or British presses should consider preparing a translation. If that happens, Steiner should add some more charts and tables for a graphic treatment of the economic and financial developments he describes. A flowing narrative is not always the proper method for presentation

of the data upon which economic historical reasoning is based, even if publishers do not like tables.

Note

[1]. André Steiner, *Die DDR-Wirtschaftsreform der sechziger Jahre: Konflikt zwischen Effizienz- und Machtkalkül* (Berlin: Akademie-Verlag 1999); André Steiner, unter Mitarbeit von M. Judt und T. Reichel, *Statistik zur Geschichte der Sozialpolitik in Deutschland seit 1945. Band DDR* (forthcoming).

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