

Jennifer Schevardo. *Vom Wert des Notwendigen: Preispolitik und Lebensstandard in der DDR der fünfziger Jahre.* Stuttgart: Franz Steiner Verlag, 2006. 320 S. EUR 62.00 (paper), ISBN 978-3-515-08860-2.



Reviewed by Eli Rubin (Department of History, Western Michigan University)

Published on H-German (October, 2007)

When one wanders into the stacks in the Federal Archives and begins to look at the immense mountains of files pertaining to the economic planning bureaucracy—from the State Planning Commission to the Ministry of Light Industry—it becomes immediately clear what an overwhelmingly difficult task the SED faced in attempting to build an economy modern enough to rival the West in an entirely planned, directed fashion. Economic planning seemed to work in the case of Joseph Stalin’s Soviet Union because it involved basic heavy industry, but in the case of a more developed consumer economy, the intricacies of planning every little product were incredibly vast and complicated. Balancing a checkbook is hard; keeping track of the finances of a small business is extremely hard; planning an entire modern economy is well-nigh impossible. Indeed, one of the most bitter ironies to come to light after 1989, in addition to the extent of ecological ruin and the reach of the Stasi, was that for a state that preached against the wastefulness of western capitalism, the GDR’s internal finances were such a mess that it was practically impossible to tell how much money the country had, how much it owed, and so on.

Still, for forty years, the GDR attempted to accomplish this impossible task, and Jennifer Schevardo’s book is perhaps the most complete and detailed study on planning a modern socialist economy to date, in its focus

on the regime’s regulation of prices to coordinate and influence the behavior of producers and consumers on a mass scale. At first glance, a study of prices in the 1950s in East Germany might sound like another installment of “dismal science”; however, the issue of prices was a point of intense ideological contention in the GDR. Studying it addresses the core of the very difficult contradictions faced by postwar socialist regimes struggling to implement utopian ideology into practical policy. As Schevardo notes, with all the interest recently in the advent of a consumer society under socialism in East Germany, very little has been done on how the prices of consumer goods were controlled—or not—and how such control influenced the connection between the regime and its people.

Shevardo begins her excellent, extremely well-documented, detailed study by pointing out that according to Karl Marx, prices were a byproduct of capitalism and would disappear in communism. Marx, Schevardo reminds us, never produced any detailed analysis of how this would happen. Faced with controlling a highly developed consumer economy—or at least a population with expectations of returning to a prewar level of consumption and standard of living—East German communists had to justify the continuing existence of prices as part of a “transition period” from capitalism to communism.

Yet, despite the SED's propaganda, economic problems in the Soviet Occupied Zone (SBZ) and the GDR were predominantly a result of financial policy. This state of affairs caused problems for an ideology that, at least for the first several years in power, viewed money as a kind of relic. As Schevardo notes, far too much money in circulation confronted an insufficiency of goods to purchase, both because not enough investment had gone into the production of consumer goods and because the Soviet Military Administration of Germany (SMAD) had imposed a price freeze at 1944 levels (the "1944 Stop Price"), so low that factories could not cover their operating costs. These factors spawned a black market and gave rise to just the sort of social distinction based on income that the entirety of communist ideology purported to eliminate. To raise prices, however, would lead to fears of inflation.

Politburo member Fritz Selbmann and the minister of finance, Willy Rumpf, were adamant that the only way to overcome the problem was to cultivate a more developed consumer sector, to soak up excess money, and to find a better mechanism to regulate prices. As Schevardo describes, the period before 1953 was characterized not simply by a predominance of "productivism" over "consumerism" (which she, in a gentle critique of Mark Landsman's *Dictatorship and Demand: The Politics of Consumerism in East Germany* [2005] characterizes as a too dichotomous description of the situation), but by a lack of any realistic and coherent price policy. Prices were often nonsensical. Prices for certain raw materials exceeded the cost of the finished product, reflecting neither the labor theory of value nor, for that matter, any other theory of value. After raised prices sparked the 1953 uprising, the regime had little choice but to eliminate the black market through supplying more and better consumer goods, since it could not attempt to absorb excess cash through increased prices again. This step necessitated a carefully designated price policy, which Schevardo describes in the second half of the study. Unfortunately, no one wanted this onerous task—not the Ministry of Finance, the State Planning Commission, or the Politburo. Therefore, the work was often distributed among several government bodies, including the Ministry of Trade and Provisioning.

The most difficult task for these planners in tracking prices was not only to try to make the economy run more smoothly—to raise prices on rarer goods and lower prices on goods that had been overproduced—but also to anticipate demand. This was the hardest task: the capitalist can use the market as a reference for pricing but

the socialist has to estimate how much demand may exist for a particular. Anecdotally, we know that many of these problems never really subsided in the GDR. One major complaint among East Germans was that they had plenty of money but nothing to spend it on; the government never adequately anticipated demand. Complaints, reports from the Stasi on consumer behavior and mood, and last-minute ad hoc decisions proved major influences on the distribution and sale of goods in the GDR, rather than a carefully constructed scheme, such as the official process for constructing prices (*Preisbildung*), which laid out several levels of prices, ending with the retail price (*Einzelhandelsverbraucherpreis*).

Schevardo's study ends just as the SED began paying "lip service" (as she calls it) to the goal of improving the GDR consumer economy. The construction of the GDR's pricing system betrayed the SED leadership's traditional bias towards heavy industry, perhaps providing somewhat of an explanation as to why many of these problems—consumer bottlenecks, too much currency—never really abated. Schevardo's book draws on a wide range of sources, including not only materials from Ministry of Finance and State Planning Commission but the Stasi archive as well. It is a nice blend of economic and social history, providing a great deal of quantitative data but using it to answer essential questions of value, legitimacy, and ideology, by showing how costs and prices lay at the heart of these issues. At times it gets too bogged down in the narrative of the history of GDR financial policy, and occasionally she seems to lose sight of the main path of the argument, as in her extensive discussion of the impact of "New Institutional Economics" (NIE)—a school of economic theory founded by Douglass C. North—on the writing of economic history for the GDR, especially in the role that transaction costs play in the NIE. While she mentions transaction costs in various places in the book, she never returns to the issue, which leaves the reader a bit confused as to the purpose of this extensive discussion for the overall study. Nonetheless, this impressive work fills a gap in the history of the East German economy and the development of a socialist consumer society.

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Citation: Eli Rubin. Review of Schevarado, Jennifer, *Vom Wert des Notwendigen: Preispolitik und Lebensstandard in der DDR der fünfziger Jahre*. H-German, H-Net Reviews. October, 2007.

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