FALLING BEHIND OR CATCHING UP? THE EAST GERMAN ECONOMY IN THE TWENTIETH CENTURY

Conference at the GHI, September 24–26, 2009. Co-sponsored by the Stiftung zur Aufarbeitung der SED-Diktatur. Conveners: Uta A. Balbier (GHI) and Hartmut Berghoff (GHI). Participants: Uwe Müller (University of Saarbrücken), Rainer Karlsch (Berlin), Jaap Sleifer (Amsterdam), Burghard Ciesla (Berlin), Jackson Janes (American Institute for Contemporary German Studies), Jeffrey Kopstein (University of Toronto), Jörg Rösler (Berlin), Silke Fengler (University of Vienna), Andrew Port (Wayne State University, Detroit), André Steiner (ZZF, Potsdam), Dolores L. Augustin (St. John’s University, Jamaica, NY), Ray Stokes (University of Glasgow), Ralf Ahrens (ZZF, Potsdam), Sibylle Gauing (Tübingen), Gerhard A. Ritter (University of Munich), Holger Wolf (Georgetown University), Michael Burda (Humboldt University, Berlin).

Did the East German economy suffer from the long-term effects of difficult starting conditions or did it perform poorly for other reasons? This conference, held at the German Historical Institute in Washington DC and co-sponsored by the Stiftung zur Aufarbeitung der SED-Diktatur, sought to locate the economic history of the GDR within the broader framework of twentieth-century German history. Historians and economists from both sides of the Atlantic traced the past, present, and future of the East German economy, considering not only the decline, but also the relative success and longevity of the GDR’s economic system. The conference set out to challenge the historical narrative that regards the East German economy primarily as a failure, and as a preeminent example of the deficiencies of central planning, especially when contrasted with the outstanding economic success of the Federal Republic. The conference explored the factors behind both the strengths and weaknesses of the East German economy within its broader political, cultural, and social context.

The conference opened with a public panel discussion presented in cooperation with the American Institute of Contemporary German Studies. Hartmut Berghoff and Jackson Janes discussed the GDR’s culture of decline with leading German and American experts on the history and economy of the GDR as well as the new Länder (German states) after 1990, addressing the GDR’s legacy in Germany up to the present.
While this opening focused on the state of eastern Germany today, the first conference panel turned to the past—as far back as the nineteenth century—to uncover the roots of the GDR’s economic heritage. Analyzing the history of the eastern German economic realm before 1945, this panel focused on the starting conditions for the GDR economy. Uwe Müller opened the panel with a presentation on the political debates over the “backwardness” of the East, which was treated as a grave political and social problem before the First World War. He outlined the different modes of intervention undertaken by the state to improve economic productivity in the East. Rainer Karlsch then showed how the autarky projects of the Nazi regime shaped the eastern German economic landscape through the establishment, for example, of the “chemical triangle.” He demonstrated that these projects were heavily subsidized, just as the GDR’s autarky projects of the 1950s were. Jaap Sleifer presented the starting conditions for the regime, concluding that the GDR economy suffered from bad political decision-making rather than a bad start. East Germany had inherited a modern industrial sector that would have made economic growth possible. However, the exclusion from international free trade and ideological decisions taken in the Soviet Union in the late 1940s made the GDR’s economic decline foreseeable. Taken together, these papers revealed the ongoing state intervention in the East German economy in the first half of the twentieth century under different regimes, and considered this tradition in analyzing the GDR’s economic system.

The second panel traced the ideological framework behind the creation of the centrally planned economy in the Soviet Occupation Zone, as well as the political and economic realities of the early years of the GDR. First, Burghard Ciesla addressed Soviet economic policy, displaying how the dismantling of industrial equipment, occupational pragmatism, and disarmament brought the East German economy close to collapse in the late 1940s. He underlined the influence that Cold War developments had on Soviet economic policies. Jeffrey Kopstein’s paper explored the ideological and cultural parameters that influenced the creation of the GDR’s socialist society and economic system. In accordance with the work of the political economist Andrew Janos, he labeled the GDR’s economic system a “militarized economy.” He also compared it to the economy of the Third Reich, working towards a general model to explain German “militarized economies” in the twentieth century. Whereas Ciesla and Kopstein unveiled the chaotic, exploitative, and destructive
nature of Soviet economic policy in East Germany, Margrit Grabas turned to the economic policies that the SED—the GDR’s ruling party—planted on that soil. She interpreted the crisis of June 17, 1953, as an instructive shock to the system, which led to the formation and consolidation of a GDR-specific regulatory capacity in socialist industrialization. The panel made clear how important ideological, political, and social influences were in shaping the centrally-planned East German economy.

The third panel focused on the economic developments and reforms of the 1960s. Inquiring into the regime’s attempt to implement market mechanisms within the centrally planned economy, Jörg Rösler argued that the reforms produced a rise in consumption standards and could have succeeded, had arguments within the SED and with the Soviet Union not brought the process to an end. Next, Silke Fengler outlined the business history of the VEB Filmfabrik Wolfen, adding a micro-historical perspective to the panel. She demonstrated how the cooperative and competitive relations within the Comecon affected the innovative capability and productive capacity of the company. In particular, the demands and goals of Soviet Union limited the development of the East German photochemical industry, which restricted Wolfen’s potential for technological development. This effect was exacerbated by the corporation’s isolation from the West. Finally, Andrew Port presented a socio-historical dimension to the economic decline of the GDR by exposing the dark side of Eigensinn. He showed how attempts to create artificial competition among workers to stimulate productivity had a contrary effect; socialist workers began to sabotage the work of their colleagues in the struggle for benefits and honors. In sum, this panel analyzed the different dynamics within the GDR’s economic system and that of the socialist bloc, arguing that the East German economic system was weakened not only by the structures of the centrally-planned economy but by dynamics that developed within it.

The fourth panel pursued the GDR’s economic path to stagnation and decline. André Steiner provided an overview of the economic situation for the period after 1971, when Erich Honecker replaced Walter Ulbricht as the General Secretary of the SED Central Committee. In the 1980s, especially, exports decreased, growth rates diminished, and the supply of consumer goods declined. These developments could hardly be stopped—not by two major loans
from West Germany, nor by investment in microelectronics. With her analysis of the life and impact of Werner Hartmann, Dolores Augustin added a biographical dimension to GDR economic history. Focusing on Hartmann’s career as the father of the GDR’s microelectronics industry, she outlined the shifts in the GDR’s culture of technological innovation that undermined the regime’s economic viability as early as the 1960s. The GDR’s competitive potential in the technological sector reached its lowest point in the 1980s, when the influence of the state and the Stasi grew. The panel again emphasized the GDR’s heavy reliance on economic development within the communist bloc. It also revealed the GDR’s inability to keep up with international technological research.

The fifth panel explored the global dimensions of the GDR economy, highlighting external influences on, and challenges to, its closed, centrally-planned economy. First, Ray Stokes analyzed the impact of the 1970s oil crisis on the GDR. He showed, on the one hand, how the Soviet Union supported the GDR during the crisis, which affected the GDR less profoundly than the Federal Republic. On the other hand, he characterized the GDR’s response to this challenge as leading to a long-term economic pattern: the regime invested money in short-term solutions such as increasing brown coal mining, which risked further exploitation of the environment, instead of considering long-term solutions for the provision of energy resources. In the next paper, Ralf Ahrens outlined the dynamics of East German foreign trade in the Honecker years. He described the so-called “import hunger,” which derived from the GDR’s desire to fill gaps in consumer goods and hide the state’s lack of technological innovation. Ahrens emphasized Soviet support of the GDR, for instance, through its purchase of products that were produced in the GDR and could not be sold in the West. In the third paper, Sibylle Gausing investigated the political dimension of the GDR’s “de facto membership” within the European Economic Community (EEC) in the 1960s. She sketched German-German trade relations, revealing how these interactions opened the EEC to the GDR. The West German government supported these trade relations for political reasons, even though some West German firms opposed them because of their negative impact on economic competitiveness. While other European member states were also suspicious, the Soviet Union tolerated the GDR’s special position within the EEC, as it strengthened the East German economy. The panel clearly highlighted the importance of viewing the GDR’s economic history
within the context of the global economic system. Such an outlook makes the decisive influence of global players like the EEC or the Soviet Union on the development of the regime readily apparent.

The sixth panel broadened the conference’s perspective by examining the transformation of the eastern German economy after reunification and discussing its future prospects. Michael Burda gave an overview of the economic development of the former GDR regions since reunification, pointing out the improved standard of living in the East over the last two decades, and the convergence of consumption patterns in East and West. He also underscored that the wage differential between the West and the new Länder has led to the relocation of international companies in the East. Burda’s positive take on German economic unification contrasted with Gerhard A. Ritter’s analysis, which emphasized the negative consequences of imposing the Federal Republic’s social system on the new Länder. He demonstrated how the transfer of the West German system—with its pensions, benefits, and trade unions—to the economically weaker East produced higher wages and exploded the cost of unification. In addition, Western options for early retirement and short-term labor became important parts of the labor market policy affecting the East. Thus a vicious circle developed in which high social expenses led to increasing unemployment.

Holger Wolf compared the course of German economic unification with the postwar economic policies of the 1940s. In both periods, an initial reform package comprising monetary reform and price liberalization aimed to reinvigorate an economy stifled by wage and price controls, heavy state debt, and extensive state influence on allocation. Due to the different international economic situation, however, the new Länder never experienced an economic boost comparable to that of the West German state in the 1950s. The panel nevertheless acknowledged the impressive ability of the new Länder to catch up with West Germany in terms of consumer goods and infrastructure.

The conference broadened the perspective on GDR economic history both temporally and geographically. It demonstrated that the GDR was by no means isolated from the general course of German history. The GDR’s development was based on its economic heritage from the first half of the twentieth century and was strongly influenced by Soviet exploitation after the war. However, the Soviet Union also constantly supported its German socialist stepchild in
trade and the supply of raw materials. At the same time, the GDR economic system was shaped by its trade with and credits from the Federal Republic; it was influenced by international economic systems like the Comecon and the EEC, as well as by global challenges like the oil crisis.

The combination of approaches, ranging from economic and social history to economics, helped to shed new light on the GDR’s economic development. The conference promoted an exploration of the history behind the constant decline of a centrally-planned economic system, by revealing the system’s various dynamics and traps. The conference will add to the German Historical Institute’s growing interest in GDR history, correlating with an international upswing of interest in the field.

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