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The East German Economy Under Ulbricht and Honecker: Different Conditions for Development—Similar Problems

I. The Political Conditions Which Influenced Economic Development

Ulbricht and Honecker were not the only (and they were not always even very influential) determinants of the GDR’s economic development during the past three decades. Nor were they such during its four years as the Soviet Occupied Zone prior to the founding of the German Democratic Republic in 1949. The Soviet Union’s initially direct, and later indirect, influence on East Germany’s economic development and politico-economic decision-making processes has been significant, but it is difficult to define with precision. Furthermore, the direct subjugation of the East German economy to the interests of the occupying power did not end either when the German Democratic Republic was founded or when it was formally granted sovereignty in 1954. It seems very likely that the year 1956, when the disturbances in Poland and the Hungarian uprising led to a redefinition of economic relations between the Soviet Union and other members of Comecon, also represented a turning point in the relationship between the GDR and the USSR. Still, even after 1956, GDR policy-makers had to continue making allowances for Soviet economic interests, a necessity that is still one of two constant factors affecting the GDR’s political priorities.

The other constant factor which strongly influences the GDR’s economic policy and development is its relationship to the Federal Republic of Germany. Until the Berlin Wall was built in August, 1961, the Federal Republic represented not only a theoretical alternative to the GDR political system, but also made Western prosperity relatively accessible to the population of the GDR. Construction of the Wall eliminated most possibilities for escape, stabilized the labor situation in the GDR, and expanded the GDR leadership’s opportunities to make decisions in reference to “their” population, now that their people had been cut off from the West German alternative. This was probably the main reason for building the Wall.

The GDR’s economic policy has been influenced particularly by the Federal Republic’s foreign policy and reunification policy. West Germany’s refusal to recognize the GDR formally and the latter’s political isolation until the Federal Republic concluded its treaties with the East in 1972 had as strong an impact as did the special terms which were granted to the GDR in reference to its trade with the Federal Republic (the West Germans call it “Inner-German Trade”). This intra-German Trade put the GDR at a distinct advantage
compared to its Comecon partners. In connection with the Eastern treaties and special policy objectives concerning Berlin, 1972 was of further significance since it was then that the Federal Republic's policy of at least partial economic confrontation with the GDR changed to one of economic cooperation. This was clearly a significant turning point for the GDR's political and economic situation. Note that it required a change in political leadership: the politically powerful Walter Ulbricht was removed from office and replaced by Erich Honecker.

Let us now consider the circumstances and problems which determined the course of economic development in the GDR during the last phase of the Ulbricht era, starting with the construction of the Berlin Wall in August, 1961, through the Honecker era, beginning officially when he was named First Secretary of the SED Central Committee on 3 May 1970, but probably beginning in fact when the "Basic Treaty" was concluded between the GDR and the Federal Republic of Germany in November, 1972. Before doing so, however, it is necessary to assess the current state of the GDR economy. We must ask what methods exist for evaluating the GDR economy, and determine the results of such an assessment.

II. The GDR Economy at the Beginning of Its Thirtieth Year

Generalizations about a country's economic situation can never be completely informative. Since this is also true of the GDR and its economy, one could make a case for the statement, "the economic situation of the GDR at the beginning of 1979 can be considered good to very good." But one could just as easily support the opposite claim, "the GDR economy currently finds itself in a very problematic stage of development." These statements are obviously unsatisfactory, if not useless, since any serious evaluation requires a more detailed picture. In order to describe a country's stage of development, it is necessary to make intertemporal and interregional comparisons. We could compare the GDR's current economic situation with its situation ten or twenty years ago, or with the economy of an appropriate second country.

In the case of an intertemporal comparison, the progress which the GDR economy has made can be seen very clearly: the destruction of the war years and the subsequent dismantling have been more than offset by investments. The disproportions in production and consumption which arose following the division of what had been a German economic entity have been overcome by developing a suitable structural policy. Considerable productive capacity has been developed during the past twenty-five years. Much of the effort (more than half of all investments) has been concentrated on industrial development. Because industry and agriculture together have accounted for about two-thirds of all investments, correspondingly fewer resources have been available for