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**The Development of Economic Policy in
The German Democratic Republic**

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THE DEVELOPMENT OF ECONOMIC POLICY
IN THE GERMAN DEMOCRATIC
REPUBLIC

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Preface

On October, 7, 1974 the G.D.R. celebrated the 25th anniversary of her foundation. This alone would provide reason enough to try a historical evaluation of the experience gained during this time. But in our case this was not the driving force. Our idea was, that, although specific in appearance, there are many features in the G.D.R.'s development, which are of general validity and could therefore be useful everywhere, where a people is fighting for social and economic progress. And there was another, more personal reason, our university, the University of Economics in Berlin and let us dare to say our Institute, The Institute of National Planning in Cairo are tied to each other by many strings of mutual cooperation and friendship. To strengthen these friendly relations, it can be nothing but useful to know more about each other. Therefore this Memo was written as a modest contribution towards this aim, dedicated to all our Egyptian friends.

S. Voigtsberger

W. Wunderlich

1940

On October 11, 1940, the U.S. Government issued the following order:

1. All persons of Japanese ancestry residing in the United States

shall be subject to the provisions of the War Relocation Authority Act.

2. The War Relocation Authority shall have the right to inspect and

seize any property of such persons which it deems necessary.

3. The War Relocation Authority shall have the right to require such

persons to report to it their financial and other resources.

4. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their activities.

5. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their contacts.

6. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their movements.

7. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their associations.

8. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their employment.

9. The War Relocation Authority shall have the right to require such

persons to provide it with information regarding their education.

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1. The Economic Situation on the Territory of the G.D.R. after World War II

The economic and social situation in May 1945 after World War II was depressing. The economy was paralysed.

45 % of the whole industry in the eastern part of Germany were destroyed,

The capacity for the production of electricity was destroyed even to 70% ,

Some more than 65% of all locomotives and about 60% of all passenger railway coaches were lost and 970 railway bridges were destroyed,

On average 30% of all dwelling units, in the large cities even some 50% , had been destroyed or badly damaged,

The physical labour force potential was lowered as a result of the war by some 15 to 20%.

Despite the tremendous efforts of the working people to reconstruct the economy the production figures of 1946 still show impressively how far the production was diminished by the fascist war. The following table comparing the production level in 1936 and 1946 for some selected products illustrates this:

Table 1: Production of Selected Commodities per Capita 1936 and 1946 in Physical Units and 1946 in Per Cent. in Relation to 1936.

Commodity	Unit	1936	1946	1946 (1936 = 100)
Power	kwh	866.3	609.2	70.3
Sulphuric Acid	kg	22.8	6.0	26.2
Raw steel	kg	74.2	8.5	11.4
Rolled steel	kg	55.6	5.8	10.4
Cement	kg	104.3	31.6	30.4
Leather shoes	pair	0.95	0.31	32.6
Paper	kg	50.2	11.2	22.3
Meat & meat products	kg	2.7	0.2	8.0
Butter	kg	5.3	3.0	56.8

Also in agriculture the negative effects of the war economy were manifold. There was a sharp decline in harvest-yields, about 40% of the agricultural machines were unusable, seeds and fertilizers were lacking and the livestock was remarkably reduced. Some of these effects concerning the livestock are shown by the following figures comparing 1938 and 1946.

1) Calculated according to the Statistisches Jahrbuch der Deutschen Demokratischen Republik Berlin 1974.

Table 2: Livestock per Capita 1938 and 1946 According to selected Varieties and 1946 in Per cent in Relation to 1938²⁾

Variety	Unit	1938	1946	1946 (1938 = 100)
Cattle	Head	0.22	0.15	69.7
of which Cows	"	0.12	0.08	63.2
Pigs	"	0.34	0.11	32.1
Laying hens	"	0.68	0.19	27.8

Furthermore adding to the difficulties was the fact, that the western powers in collaboration with the german imperialists split Germany and thus tore the uniform historically grown german national economy into pieces. This brought about another set of disproportions beside those which existed as a heritage of capitalist development and war economy. Hence the development of the national economy on the territory of the GDR started not only with a heavily destroyed but also with a badly deformed economic structure. Some of these disproportions are indicated by the following table:

Table 3: Share of the Industry sited on the present Territory of the G.D.R. in the Total Turnover of the German Industry in 1936 (Germany in the Borders after world War II but without Berlin and Saar Region)³⁾

2) See Footnote No. 1

3) Politische Ökonomie des Sozialismus und ihre Anwendung in der DDR Berlin 1969 S. 133.

Industrial Sector	Share in %
Iron Ore Mining	5.1
Stone Salt and Potash Mining	57.0
Hard Coal Mining	3.9
Lignite (Soft coal) Mining	63.1
Iron Producing Industry	7.2
Manufacturing of Iron and Steel Commodities	17.8
Machine Building	31.9
Iron and Steel Constructions	12.0
Chemical Industry	35.8
Leather Industry	22.3

This table does not reveal the full extent of the disproportions because the degree of destruction caused by the war was much higher in the East than in the West. The industry in the eastern part of Germany was destroyed to about 45% but in the western part of Germany only to 20%. One of the weakest positions in the eastern part of Germany was the lack of certain important basic industries. The major centres of German heavy industry were concentrated in West Germany, e.g. in the metallurgical industry 121 mostly modern blast furnaces were sited on the territory of West Germany against only 4 more or less obsolete ones on the territory of the GDR. To meet the demand of the economy in the eastern part of Germany the twentifold capacity would have been necessary.

Because there is a close relationship between the economic situation and the living conditions of the people the catastrophic situation in industry, agriculture and the other fields of the economy resulted in extreme hardships for the population. In many places the inhabitants lacked nearly everything necessary for life. Very often there was no drinking water, no gas, no electricity. The basic food-stuffs were very short in supply and rationed on a low level while durable goods were almost not available at all during that time.

Such was the economic situation at the end of World War II from which the people in the eastern part of Germany had to proceed. To overcome this situation the activists of the first hours had to face still another problem. Fascism and war had not only desorganized and destroyed the economy but had brought about also a mental confusion and moral decay in the minds of the people. To start successfully on the road of reconstruction it became necessary simultaneously to abolish the remnants of fascist ideology, the deep despair and discouragement and to lead the people into action.

2. The Overcoming of the Consequences of World War II and the Construction of the Anti-Fascist State.

Under these above mentioned circumstances it was necessary to show the people a practical way out of this situation.

It was the Communist Party of Germany which elaborated a comprehensive programme to solve the most urgent political and economic tasks and for the development of an anti-fascist democratic system. Here are the main points of this programme published at June, 11, 1945 only one month after the end of World War II.

- "1. The complete liquidation of the remains of the Hitler regime and the Hitler party. The complete purging of all public offices of active nazis. In addition to the punishment of the major war criminals who will be tried before courts of the United Nations the strictest punishment by German courts of all those nazis who are guilty of crimes and participation in Hitler's treason against the people. The quickest and hardest measures against all attempts to continue the criminal nazi activity illegally, against all attempts to disrupt the establishment of law and order and a normal life for the people.
- "2. Struggle against hunger, unemployment and homelessness. The all-sided active support of the organs of self-administration in their efforts to ensure a normal life and get production going again. The complete unhampered development of free trade and the initiative of private enterprise on the basis of private property. Effective measures for the reconstruction of destroyed schools, housing and work places. Strict economy in administration and in all public expenditure. The reorganization of the tax system in accordance with the

p principle of progressive taxation. Safeguarding the complete harvest by giving large-scale assistance and manpower to the peasants. Just distribution of foodstuffs and the most important articles of consumption; an energetic struggle against speculation.

"3. The establishment of democratic rights and liberties for the people. The reestablishment of the legality of the trade unions of the workers, salaried employees and officials and of anti-fascist, democratic parties. The reorganization of the court system in accordance with the new democratic forms of the people's life. Equality of all citizens before the law irrespective of race and the strictest punishment of all expressions of racial hatred. The purging of the entire educational system of fascist and reactionary filth. The fostering of a truly democratic, progressive and liberal spirit in all schools and training centres. Systematic enlightenment about the barbarious character of the nazi race 'theory', about the mendacity of the 'theory about living space' about the catastrophic consequences of the Hitler policy for the German people. Freedom of scientific research and artistic arrangement.

"4. The reestablishment of the organs of self-administration on a democratic basis in the communities, districts and countries as well as of the provincial or land administration and the relevant representative bodies.

- "5. Protection of the working people against the arbitrariness of the employers and exploitation. Free democratic elections of the enterprise representative bodies of the workers, Salaried employees and officials in all enterprises, offices and in all authorities. The regulation by tariff of wage and working conditions. Public aid measures for the victims of fascist terror, for orphans, invalids and ill persons. Special protection of mothers.
- "6. The expropriation of all property of the nazi bosses and war criminals, the transfer of the property into the hands of the people, for the disposition of the communal or provincial organs of self-administration.
- "7. The liquidation of big landownership, the big estates of the Junkers, counts and princes and the transfer of their entire land as well as the inventory and livestock to the provincial or land administration for distribution to the peasants who were ruined by the war and have no possessions
- "8. The transfer of all those enterprises which serve vital public needs (transport, water, gas and electricity, etc.) and those enterprises which were abandoned by their owners to the organs of self-administration of the communities or provinces or lands.

"9. Peaceful and good neighbourly coexistence with all other peoples.
A decisive break with the policy of aggression and force against
other peoples, the policy of conquest and robbery.

"10. Recognition of the obligation to pay reparations for the damage
caused to other peoples by the Hitler aggression. The just
division of the burden arising therefrom among the various
strata of the population in accordance with the principle that
the wealthier bear a heavier burden." 4)

The national action programme elaborated by the Communist
Party of Germany reflected not only the interests of the working class
but also those of the other classes and strata of the population as
peasantry, intelligentsia and petty bourgeoisie. It was not yet a
programme to construct socialism but a programme to ally all popu-
lar forces against fascism and imperialism, to combat the chaos caused by
by the imperialist war and to create a genuine democracy suitable to
serve the interests of the working people. Everybody honestly intere-
sted in peace and democratic development could support this programme.
In fact there was no other alternative to this programme than imperia-
lism and fascism. Since the overwhelming majority of the population,
workers, intelligentsia, peasants as well as the petty bourgeois had
suffered from fascist war and was exploited by the imperialists they
agreed with the anti-fascist and anti-imperialist features of the pro-
gramme even if they had certain reservations against one or another
of its points. This conformed with the basic interests of the greater

4) Dokumente und Materialien der deutschen Arbeiterbewegung, Reihe III,
Band 1, Dietz Verlag, Berlin 1959, Seite 18/19 English Version in
Difficult Years Bear Fruit, Dresden 1971, pp. 19-21).

part of population formed the objective foundation for the creation of a broad popular front.

In this popular front the workers' class achieved the leading role. This was historically necessary because:

- The workers' class is the most determined opponent of capitalist exploitation and oppression, since this class can become free only, if the capitalists are stripped of economic and political power.
- The development of production (of the productive forces) itself concentrates the workers class in large industrial centres and enterprises. This concentration and the discipline enforced upon the workers by modern production creates - together with the common class-interest to fight the capitalists - favourable pre-conditions to organize the workers' class politically.
- The workers' class as the only class whose original interests go beyond capitalism possesses a scientific theory of social development which shows why and how capitalism has to be overthrown and that socialism is the only alternative. This theory founded by Marx and Engels and based on historical evidence and logical conclusions proved to be in line with the course of history. It was put to the hardest test, a theory can face, to the test of practical application and it got and still gets through successfully.

But a precondition to carry out this leading role was that the workers' class had to act in unity and that political and organizational divisions inherited from the past had to be overcome. The understanding of this social requirement was supported by the bitter experiences, the working class had to gather during fascism. Already during this period unity was developed within the ranks of the resistance movement and within the concentration camps. Thus it was quite logically that after returning to legality the two workers' parties, the Communist Party of Germany and the Social Democratic Party of Germany completed an action agreement as early as in June 1945. In the course of the implementation of this action agreement the way was paved to overcome the still remaining ideological and political differences among the members of the two parties and finally to re-unite the two workers' parties in spring 1946. On 21 st April 1946 the Socialist Unity Party of Germany was founded.

The creation of a strong united party of the working class was one of the greatest achievements in the history of the labour movement in Germany. The end of the splitting of the labour movement changed power relations of political forces remarkably in favour of the working class and its allies. Hence, the unification of the two parties was not only in the interest of the working class but corresponded also to the interests of all other progressive forces of the society. The unity of action of the two workers' parties provided the sound basis for the unity of the trade unions. Already in June 1945 a

united trade union organization the "Confederation of the Free German Trade Unions" was founded as the mass organization of the working class.

With the organization of united action between the workers' parties and the creation of a united Free German Trade Union Federation important foundations for the hegemony of the working class were established on the territory of the present German Democratic Republic. Beside the workers' parties two other anti-fascist democratic parties were founded, the Christian Democratic Union and the Liberal Democratic Party of Germany. The Christian Democratic Union represents religious circles from different classes and strata of the population. This party confesses itself to peace, friendship with other peoples and Christianity. In its economic programme this party demanded the nationalization of monopolistic enterprises but at the same time supported the private ownership of the means of production in small and medium-sized enterprises.

The membership of the Liberal Democratic Party recruited itself mainly out of democratic forces of the middle and petty bourgeoisie, craftsmen, tradesmen and intellectuals. This party's political programme demanded the abolition of militarism and fascism and the development of the democratic rights and liberty of the people. Since both parties united people of various classes and strata of the population contradictions among their membership arose and a hard inter-party struggle between the progressive and reactionary

forces began immediately after these parties were founded. There still were forces within these parties who tried to prevent the democratic transformation and to turn Germany back on the road to imperialism. In this ideological campaign the anti-fascist democratic forces with assistance of the workers' class, its parties and organizations gained victory and most of these reactionary party members were expelled until 1950 and the two parties became firm allies of the working class.

To strengthen the anti-fascist democratic front and to coordinate political action the Communist Party proposed to form a bloc of anti-fascist democratic parties in the Soviet Occupation Zone. The bloc of the then four parties was established in July 1945. Thus the popular front of all progressive forces in the eastern part of Germany got a unified political organization within the frame-work of a multi-party system.

In summer 1948 two new parties were founded and joined immediately the antifascist-democratic bloc, the Democratic Farmers' Party and the National Democratic Party. The Democratic Farmers' Party represented the interests of the different strata of the peasantry. The membership of the National Democratic Party was mainly formed out of former officers of the fascist armed forces who had broken with the past and recognized that the further development of the German society must be an anti-fascist democratic way. Another social base of this party were craftsmen and lower middle-class people.

The social basis of the anti-fascist democratic bloc was further more strengthened by means of including the Confederation of Free German Trade Unions in 1948 and the Free German Youth Organization in 1950.

In order to incorporate still broader masses of the population particularly those not organized in any party, into the process of democratic development the "National Front of Democratic Germany" was founded at the beginning of 1950. The National Front of Democratic Germany is a mass movement which unites people of various ideologies and of different social origin. A comprehensive network of committees from the National Council on the top down to the village and town committees was established. Their members were elected in public meetings. Nowadays about 300 000 citizens of all strata of the population are working in their spare time as members of the committees of the National Front on all levels. The National Front devotes its activities to the political and ideological education of the people and to the organization of the mass initiative towards the systematic improvement of the economy and the working and living conditions of the people.

The committees promote the popular initiative in particular for projects in the residential areas of the towns and villages which are of special interest for the betterment of life of the citizens. In their activities they rely on the manifold ideas and proposals of the people in their area. The success of their work is proved

by the completion of many self-help projects throughout the country which were and are implemented in voluntary unpaid labour by millions of citizens.

The development of an anti-fascist democratic social system demanded not only the creation of parties and mass organizations but also the construction of the new democratic state power. The old fascist state apparatus was completely broken down and what remained had to be destroyed in order to prevent the restoration of the old system. Consequently the state apparatus, the administration of Justice and of public services had to be purified from all representatives of fascism.

The generalized experiences of the revolutionary movements in particular of the labour movement prove that it is impossible to develop the new social order without removing the representatives of the overthrown social system from all posts where they can exercise power and from all positions where they can sabotage the policy of the progressive forces. This left the progressive forces with the task to rebuild and to restaff more or less completely the whole state apparatus from the top to the bottom. The state apparatus, the administration of Justice, the security forces, the economic management, the educational system and the other fields of social life had to be renewed. This was a tremendous task since the progressive forces had to take over tasks with which they were not acquainted and for which they were not trained. In many cases ordinary workers became

mayors or managers of large enterprises. Hence the representatives of the new state power had not only to solve the difficult task to restore normal life conditions, but simultaneously they had to learn how to manage the complicated processes of economic and social development as representatives of the people's power.

In this time many doubts arose and were nourished by hostile propaganda. whether such a policy could succeed. But history proves already in a series of cases that in such a revolutionary social transition the most important quality of the representatives of the new state power is their devotion to the cause of the people, their political consciousness and their readiness to fight with all their strength for the implementation of ^{the} revolutionary aims. History proves also that the reliance on the old experts and the renunciation to create an own revolutionary state apparatus on all levels is already the first step back to the restoration of the old political system and the loss of the just gained revolutionary achievements.

Beside the above mentioned difficulties there was still another problem. The state system to be erected was without example in German history. For the first time on German soil a state was emerging which was not organized to rule against and to oppress the masses of the people but to cooperate with them and to serve their interests. Success or failure depended to a large extent on the capability of the new state organs to establish a close cooperation with the various classes and strata of the population. On the other hand such a close

interrelation ship between the population and the state organs was the best guarantee to maintain and develop the democratic character of the state.

This new type of state asked also for a new type of state functionary. The type of the bureaucrats working isolated from the people had to be replaced by . a type of state functionary devoted to the aims of the working people, responsible and accountable to them about the fulfilment of these aims and being relieved from his function in any case of repeated or severe violation of his duties.

The establishment of the new democratic state power took place during the period from 1945 to 1948. In cooperation among all democratic forces and with active assistance of the Soviet occupation power the German anti-fascist democratic self-administration organs were formed beginning in the communities, villages and towns but as early as July 19 45 county, provincial and central administrations came into being in the Soviet occupation zone.

Right from the beginning the organs of self-administration were exercising their duties in close cooperation with the broad masses of the people. At the end of 1945 and early in 1946 communal advisory councils and committees were formed throughout the Soviet occupation zone. These councils and committees assisted the administration in solving of housing questions, social welfare, work with the youth, education and in many other fields. In this way the working people

participated already before elective representative bodies were established in administrative work and in controlling the measures adopted by the administration.

After the main forces of the old system had been deprived of power and the foundations of a new social order were laid for the first time in German history it became possible to hold really free and democratic elections. In autumn 1946 elections for the people's representative bodies on community, county and provincial level took place.

The anti-fascist democratic parties went into these elections with independent lists of candidates and submitted their programmes to the people. In spite of the efforts of reactionary forces, that had crept into the Christian Democratic Party and into the Liberal Democratic Party, and of their supporters from the western zones, the elections resulted in an overwhelming victory of the progressive forces and proved the leading role which the working class and its party had achieved in social life. About 50% of all votes were given to the candidates of the Socialist Unity Party.

The first period of the work of the organs of the state administration was characterized by improvisation in order to meet the most pressing needs of the people in the different territories (communities, towns etc.). But with the ongoing normalization of social life it became however possible and necessary to shift to purposefully

organized and planned activities of the state organs. The elaboration of new municipal codes and of provincial constitutions was a great step towards this aim since it fixed the achievements of the revolutionary transitions legally and laid down the principles for the work and the future development of the new democratic stage order.

These first constitutional laws confirmed the principle that all state power emanates from the people, is exercised by the people and has to serve the people. But this principle was not only declared as in many bourgeois constitutions but real guarantees were provided to put it into practice. The constitutions determined the main ways of how to implement the democratic rights and duties by means of electing all representative bodies, by plebiscites about vital questions of further development, by direct incorporation in administrative work and jurisdiction and by the organization of a comprehensive democratic mass control over the work of the people's representatives and the administrative organs with the right to withdraw the confidence of the electorates even during the period between the elections if any representative had misused his power or failed to fulfil his duties.

The policy of the development of the democratic state organs in the eastern part of Germany in those years was in accordance with the Potsdam Agreement of the big powers aimed at the re-unification of Germany and at the implementation of the anti-fascist democratic

social transition in the country as a whole. However this was against the class interests of the western imperialist occupation powers and their German imperialist partners. Their intention was to save and to re-establish German imperialism as a junior partner of the western countries particularly of the United States of America. Although the western imperialists tried to weaken Germany as a competitor on the world market they never thought about touching the social foundations of imperialism in their occupation zones. Since they were unable to stop the democratic development in the eastern part of Germany they began to perform a policy of splitting off their occupation zones from the German national union. There were several steps on this way which finally resulted in the illegal foundation of the Federal Republic of Germany in September 1949. Illegal, because in the Potsdam Agreement concluded in August 1945 even the western powers had committed themselves to treat Germany as a political and economic unit.

Under these circumstances there was no longer any hope for an immediate re-unification as a democratic state. Hence the progressive forces in the eastern part of Germany had to complete the state system of their own by the foundation of the German Democratic Republic in October 1949. Although the timing of this foundation was influenced by the separatist action taken in the western occupation zones there were nevertheless also the internal conditions grown up, which demanded the completion of the state system by means of

creating the central democratic state organs. One can't deal with the development of the German Democratic Republic without mentioning the role of the Soviet Union in this process. In accordance with international agreements between the partners of the anti-Hitler coalition, in particular with the Potsdam Agreement the Soviet Union acted as occupation power in the eastern part of Germany. In the Potsdam Agreement the four Powers declared the principles of post-war policy toward Germany. Already during the negotiations the Soviet delegation had to struggle hard to succeed in laying down such principles ensuring a stable anti-fascist democratic and non-imperialist development. During the following period the Soviet Union in close cooperation with the German anti-fascists, who had devoted themselves to the same principles before the Potsdam Agreement was concluded, made all efforts to implement step by step the aims of the Potsdam Agreement. Thus the policy of the Soviet Union created an atmosphere where the democratic forces could act freely to bring about the democratic transition of society. In the eastern part of Germany there were no essential differences between the interests of the people and the interests of the occupation power. In the western part of Germany the opposite occurred. Whereas e.g. the people of the west-german province of Hessen voted with an overwhelming majority for the expropriation of fascists and war criminals the United States as occupation power ^{prevented} by force the implementation of this will of the people, thus safeguarding the foundation for the reestablishment of imperialism.

The Soviet Union however acted not only as an executioner of the Potsdam Agreement. She also supported the anti-fascist democratic forces with her vast experience in building and managing a new social and economic order. Furthermore the Soviet Union assisted the German people in many other fields of economic and social development. The supply with vital means of production and consumption, the diminishing of reparations and the renunciation of the right to dismantle certain enterprises that was granted in the Potsdam Agreement are just some examples of this active support.

The new state power developed in a hard struggle for the implementation of the revolutionary programme first put forward by the Communist Party of Germany in June 1945 and further developed in the course of time in the programme of the Socialist Unity Party, in resolutions of the Democratic Bloc, in resolutions of the National Council of the National Front and in similar documents. These documents made quite clear that in order to overcome imperialism and fascism completely and forever one had not only to remove their political power but also to destroy their economic roots. Consequently the economic reconstruction after World War II in the eastern part of Germany was combined with far-reaching social changes in all spheres and sectors of the economy. At least two aspects of this development should be discussed here, firstly, the democratic land reform and the socialist development in agriculture and secondly, the creation and the development of the nationally-owned industry.

3) The Land-Reform and the Socialist Development in Agriculture

In the countryside the estates of the big landowners the descendants of the century-old feudal nobility and the large agrarian capitalists were the stronghold of the reactionary and imperialist forces in Germany. Up to 1945 they dominated the political and economic life in the villages and rural areas completely and influenced essentially the policy of the imperialist and fascist German state. The economic position they occupied is partly indicated by the fact that in 1945 on the territory of the present German Democratic Republic 1.1% of the agricultural enterprises were in possession of 29.7% of the farming area whereas the small farms (up to 10 hectares = 22.8 fed-dan) which counted for 70.0% of all agricultural enterprises cultivated only 17.0% of the land. But this structure of land distribution does not reflect the real distribution of the economic and political power to its full extent. The landowners oppressed and exploited not only the farm workers but also the small and medium farmers by various means and in many ways. Through their collaboration with the financial capital and the officials of the fascist state and party apparatus they ruled the rural areas more or less absolutely.

This political and economic power had to be liquidated in order to open the road for a democratic development and a better life of the people at the countryside. Consequently one of the substantial demands of the action programme of the Communist Party of Germany was the implementation of the democratic land reform. This

demand was in conformity with the interests of the majority of the German people and in particular with the interests of the rural population. Therefore the people's masses made this demand of the party to their own aim and began to put it into practice soon after the liberation from fascism. During July/August 1945 the working peasants with the assistance of the workers' class took over the initiative to carry out the land reform. A real mass movement developed, farm workers and peasants organized land reform committees and the land reform law was prepared in a broad democratic discussion. According to this land reform law all land owners with estates of 100 and more hectares (100 hectares = 238 feddans) and in addition to that the active fascists and war criminals, regardless of the size of their estates were expropriated without any compensation. The law applied to altogether 11 278 landowners with 3 298 850 hectares of land. The greatest part of this land was handed over together with the livestock and the agricultural equipment to 559 080 farm workers and landless or small farmers. Omitted from the distribution (about 200 000 hectares) were specialized agricultural enterprises producing seeds or serving as research centers and similar establishments. They were taken over by the state and became the first nationally-owned farms.

The main results of the democratic land reform can be summarized as follows:

- The creation of new power relations in the countryside;
the power of the reactionary landowners was crushed and the working people came into power.
- Simultaneously a new social structure came into being;
The land was now in the hands of the people working on it. The small and medium-sized farms became the dominant factor in the agricultural structure and the agricultural policy of the new emerging state was directed towards their strengthening.
- The close cooperation between the workers' class and the working peasants which made the successful completion of the democratic land reform possible established a sound foundation for a stable alliance of workers and peasants and thus a sound foundation for the further development of the anti-fascist democratic system.

The basic principle of the labour movement to seek and to strengthen the political and economic alliance with the working peasants became and still is a basic principle of the democratic state's policy. Many measures were taken to support the economic consolidation of the working peasants and to stimulate the increase of agricultural production in order to meet the most urgent demand of the population and the national economy for foodstuffs and raw materials respectively.

Immediately after the war the fascist system of the obligatory delivery of all agricultural products was abolished. It was

replaced by a system based on fixed delivery quotas per hectare for each agricultural produce, differentiated according to the fertility of the soil, the size and the social position of the farmers. These quotas were fixed at such a level that in a normal working farm a certain share of the total ^{production was left} at the free disposal of the peasants. The obligatory deliveries had to be sold to relatively low fixed prices whereas the surplus could be sold to much higher prices.

By this way the individual interests of the farmers to increase their living standard and the overall social interest to improve the supply with agricultural products were harmonized and thus the farmers were encouraged to raise their production. With this system the first step was done on the road of a planned development of agricultural production under the conditions of an almost completely private basis of production. The amounts of obligatory delivery fixed for the various crops and products of animal husbandry enabled the state authorities to plan the minimum supply which would be available for the following year. But with growing productivity and thus with a growing share of the products available for free sale it became more and more necessary to include this part of production into planning. To this end a deliberate price policy was introduced and a state-owned wholesale organization for agricultural products was established. Soon after its formation the state-owned trading organization bought beside the total quantity of the obligatory delivery also the greatest part of the products offered by the farmers for free sale.

This market-dominating role of the state-owned wholesale organization made it possible to apply a price policy influencing the structure of production according to the needs of the national economy and in conformity with the interests of the working peasants. In order to make these free sales qualitatively and quantitatively plan-able a contract system between the farmers and the state-owned wholesale organizations was introduced. Within these contracts the farmers committed themselves to the delivery of agricultural products during the following plan year. Hence the state authorities became able to plan the quantities of the various commodities produced for free sale too. To stimulate the farmers to conclude such contracts, incentives were given in form of favourable prices for the products covered by contracts as well as in form of additional deliveries of fertilizers, fodder etc. The application of this system spread rather rapidly and brought about another social change in the countryside. The then still strong remnants of the system of capitalist rural trade with all their bad effects on the farmers as well as on a just and planned distribution of agricultural production were overcome.

Another measure taken by the democratic state power to strengthen the alliance between the workers' class and the working peasantry consisted in the creation of state-owned Machine-Lending Stations in 1949. Machine stations came into existence already in 1945 within the course of the democratic land reform. The local land commissions, after having carried through the land reform, reorganized themselves

the nucleus of
into committees of mutual farmers' aid and thus became the comprehensive mass organization of the peasants, the Association of Mutual Farmers' Aid, that was founded in 1947. These committees had taken over part of the agricultural machines and equipment, formerly owned by the big landowners on behalf of the working peasants. The so created stations were run on a cooperative basis and hired out the machines to the farmers. But this stock of machines and equipment was by far not sufficient neither in quality nor in quantity to meet the requirements of the growing agricultural production. Therefore it still happened that small farmers became to a certain degree dependent from the stronger and larger agricultural enterprises because they had to rely on borrowing equipment from them. And this in turn jeopardized the democratization of life in the villages. Thus it became the task of the democratic state to find a solution for this problem. This solution was provided by the "Machine-Lending Stations".

The state took over the machine stations from the Association of Mutual Farmers' Aid and enlarged and qualified their technical basis during the first time exclusively with machines supplied by the Soviet Union and later on also out of the production of the own developing industry. Thus it became possible to increase the number of the urgently needed tractors from 7 180 in 1949 to 18 419 in 1952 and beside this to provide many other agricultural equipment.

The state-owned Machine-Lending Stations did not only serve as a technical basis of agricultural development but had to fulfil right from the beginning manifold political, economic and cultural tasks within the process of developing democratic life in the villages and consolidating the alliance between the workers' class and the working peasants. The Machine-Lending Stations became more and more political and cultural centres of the countryside. Thousands of industrial workers joined the Machine-Lending Stations thus turning these stations into strong positions of the workers' class in the villages. They also played an important part, when in 1952 a new stage of development was initiated in the G.D.R.'s agriculture, the stage of socialist transformation. As already mentioned, after the completing of the land reform, the small and medium-sized farms had become the dominant factor in the G.D.R.'s agricultural structure. Although they had developed successfully in the early fifties however it became more and more obvious, that the small private farm was no longer a basis for a dynamic agricultural development. Not only, that the gap between the technologically and socially fast advancing industry and agriculture became wider and wider, but even within agriculture the contradiction between the growing material productive forces and the applicable scientific knowledge on the one hand and the outdated production relations on the other hand was more and more hampering progress.

To give only one example: The Machine-Lending Stations had acquired a relatively high technological standard and to use their

equipment to its full extent asked for large plots. But the average size of the farms was about seven hectares, split on several locations. Hence, there was hardly one single plot of the size of one hectare and consequently the more machinery was modernized, the more the acreage of the private farms became too small for its efficient utilization and the development of productivity was retarded.

This was realized by the party of the workers' class, but also by many of the consciously most advanced farmers. The only way out of the problem was the creation of large agricultural enterprises. There were other proofs too, that changes in the social structure of agriculture were necessary. Fast growth of agricultural production is a condition of proportional development. But the small farms were unable to follow the pace set by industry and other sectors that were already working on a socialist foundation. Thus the privately-run agriculture began to endanger the planned proportional development.

Furthermore the contradiction between the development on private basis in agriculture and ^{on} a socialist one in all other fields brought many political, socio-political and ideological problems. The farmers still were private owners of the means of production. To try to meet the requirements of production growth on that socio-economic basis could only mean to develop agriculture along capitalist line. There were in fact certain tendencies in this direction emerging during this time. The necessity to stimulate a high production output forced even the socialist state to strengthen the basis of private relations of production.

This development on different social foundations was also a factor which could threaten the alliance between the workers' class, which was energetically constructing socialism and the working peasants which still maintained and developed a pre-socialist mode of production.

There was only one acceptable way to overcome these contradictions. Agriculture had to be put on a socialist foundation too. The principles of this development were already formulated by F. Engels, who wrote in 1894: "Our task relative to the small peasant consists in the first place, in effecting a transition of his private enterprise and private possession to cooperative ones, not forcibly but by dint of example and the proffer of social assistance for this purpose. And then of course we shall have ample means of showing to the small peasant prospective advantages that must be obvious to him even today.. "... we shall do everything at all permissible to make his lot more bearable, to facilitate his transition to the cooperative should he decide to do so, and even make it possible for him to remain on his small holding for a protracted length of time to think the matter over, should he still be unable to bring himself to this decision."⁵⁾

Since then, the validity of these theoretical conclusions had been proved in the Soviet Union's agricultural policy. But nevertheless, it was no easy decision for the peasants to break with the

5) F. Engels: Die Bauernfrage in Frankreich und Deutschland (The Peasant Question in France and Germany) in K. Marx/ F. Engels Ausgewählte Schriften in zwei Bänden, Moskau 1950, Band 2 S. 407.

century-old traditions of private farming and to unite their forces in the cooperative movement. There were not only the hesitation and the doubts of the peasants born out of their "ownership-ideology", but there was also the vehement activity of the enemies of socialism, who saw dwindle another hope to restore in the GDR a capitalist society, and who consequently fought with claws and teeth, with propaganda as well as with sabotage and arson, to prevent the socialist transformation of agriculture. Thus it was not surprising that it was a rather small vanguard, that took the initiative in 1951/52 to found the first socialist agricultural production cooperatives on German soil. By the end of 1952 the cooperative sector's share in the agricultural usable land was still as low as 3.3%. Although low in number, these first practical examples were of uppermost political importance, since how fast the cooperative movement would spread among the peasants, depended to a large extent on the successful development of these first enterprises. They had to demonstrate in practice, that in agriculture too the socialist mode of production was superior to private farming and that this form of socialist cooperation provided the conditions for the growth of the peasants' living standard.

To accomplish this was by far not an easy task, because there were many obstacles on this way. To begin with, the farmers had no experience how to manage a large agricultural enterprise. As already mentioned, the average size of the private farms was then about seven hectares, but the average size of the first Agricultural Production

Cooperatives was already well above one hundred hectares. To work on such a scale required scientific management and planning and a strong working discipline. All this had to be learnt by practice.

Furthermore, to utilize the advantages of the larger scale properly, asked for new agricultural technologies and for the application of scientific knowledge in crop and animal husbandry. The traditional experience held no longer good to achieve the highest possible yields. Hence again the peasants had to study and to master practically many subjects, hitherto quite unknown to them. And there was finally the question how to organize the social life of the cooperative in a manner that each member has its clearly defined rights and duties and can take part in the decision-making process on an equal footing with all other members.

Despite strong support, the cooperatives received from the state authorities and the workers' party, it took them some years to master this host of difficult tasks and to become well organized, efficient socialist enterprises. In 1960 however conditions had matured and the overwhelming majority of the peasants joined voluntarily the cooperatives. Whereas in 1959 their share was 48%, by the end of 1960, 84 per cent of the agriculturally usable land were cultivated by cooperatives, and together with the state farms the socialist sector comprised of more than 90% of the total acreage.

There are three types of Agricultural Production Cooperatives organized according to the following principles:

- a- The first and probably most important one is the principle of voluntariness of membership. It was the firm policy of the workers' party and of the socialist state to bring about the socialist transformation of agriculture not by force but by conviction. Choosing this policy - which was in accordance with the teaching of marxist-leninist theory - meant on the one hand, that the process would take a rather lengthy period, and in fact it took about ten years, but on the other hand that it would be ~~unreversible~~ since the peasants themselves would defend its results with all their strength.
- b- The cooperatives are democratic producers' collectives in which the assembly of the members is the highest decision-making authority. The members' assembly elects the leading organs of the cooperative, i.e. the chairman, the managing committee and the various specialized commissions. It decides upon the planned development of the cooperative, the utilization of the funds and upon all other matters of principal importance within the framework of the law.
- c- In all three types of Agricultural Production Cooperatives the soil remains the individual property of the peasants and is handed over to the cooperative for utilization only. Consequently, the owner receives a certain amount of rent according to the acreage in his possession. But care is taken, that the greater part of

the gains is distributed on the basis of the individual contribution of the member to the cooperative's work. There is however a difference between the three types of cooperatives regarding the distribution of the consumption funds among the membership. Whereas in type I, the lowest type, 40% are distributed on the basis of "soil-shares", the upper ceiling in type III is fixed at 20%.

d- Work is performed collectively according to the cooperative's plan. All members have the right and the duty to take part in the collective labour. The minimum working time is regulated by the statute of the cooperative and differs also between the three types. The reason for this lies in the fact that the level of socialization of the means of production and of labour is different too. This difference in the level of socialization is the main feature to distinguish the three types of Agricultural Cooperatives. In type I only the arable land is handed over to the cooperative and cultivated collectively, meadows and pastures and the animal husbandry are still run on an individual basis.

In type three (III), the highest type, crop as well as animal husbandry are performed cooperatively. But the statute grants the right to the members to cultivate up to 0.5 hectares for personal consumption and also to keep a limited number of livestock.

Type II, which is of minor practicable importance, is a sort of transitional stage for cooperatives on their way from type I to type III. The dominant type is now already type III. From the

6 587 Agricultural Production Cooperatives existing in 1973, 5 402 were of this type and the rest is developing in this direction, because type III meets best the requirements of the scientific-technological revolution in agriculture.

But there are new developments underway. Although the cooperatives grew considerably in size and wealth, compared with earlier years, they are nevertheless outrun by the speed of the technological progress. The average size of the cooperatives in 1973 was about 820 hectares, but the machinery available for crop husbandry requires a much larger acreage.

To apply modern technologies in grain harvesting efficiently needs for instance 1 200 to 1 500 hectares, in ploughing it are already about 6 000 and in fertilizing as much as 15 000 to 20 000 hectares. Similar developments take place in animal husbandry. To mention only two examples, in cattle fattening it proved to be an efficient size to have 16 000 animals in one economic unit and in pig fattening the optimum lies between 25 000 and 100 000. This calls for new methods of cooperation. As an answer to this challenge inter-cooperative institutions are founded. In these institutions several agricultural production cooperatives join their resources and efforts in order to reach the above mentioned efficient scales of production.

4. The Creation and Development of the Nationally-Owned Industry

At the end of World War II the German economy as already mentioned was completely broken down. Economic life had come to a standstill and a great part of the economic potential was destroyed or severely damaged. Hence, the task of reviving production again was very urgent and extremely difficult. This was not only due to the material destructions but also due to the fact that in many cases the capitalists, managers and leading employees had fled to the western part of Germany in order to avoid punishment for their war and fascist crimes or in other cases were already imprisoned, awaiting their trial for the same reason. It was the workers' class which took the initiative under the guidance of its party and with the assistance of the Soviet Occupation Power to organize ^{the} resumption of production. The workers took organization and management into their own hands and thus proved that the workers' class is capable to run the economy even under the most difficult circumstances without capitalists.

This example was of uppermost political importance when the campaign for the expropriation of the war and fascist criminals and the creation of a nationally-owned sector was launched. The experience of this very early experiment deprived the capitalists and their ideological followers of the argument that the workers could never be able to manage such a sophisticated organism as a modern enterprise. On the other hand this practical experience did a great deal to develop the self-consciousness of the workers. Although in many enterprises the

workers had practically taken possession of the means of production, legally nothing was settled. The enterprises still belonged to their old owners and in some cases the capitalists even began to resume their former activities, to organize resistance against the democratic development and to undermine the economic reconstruction in the eastern part of Germany. To this end some enterprises belonging to large monopoly groups tried to transfer equipment and research results, technical know-how and their scientific and managerial staff into the western zones of Germany.

In order to avoid further subversive actions of this kind and to pave the way for the final democratic settlement of this issue the Soviet occupation power in accordance with the Potsdam Agreement ordered the sequestration of all properties of war and fascist criminals in October 1945. Still this did not mean expropriation, but the owners of the industrial enterprises lost all rights to dispose in any way of their property. The administration of this property was handed over from the Soviet occupation power to the meanwhile established democratic state organs in the eastern part of Germany.

Hence the German people had to decide about the final destiny of the sequestrated property. This decision was brought about by a plebiscite in the land of Saxony in June 1946 and by decision of the other land and provincial administrations in the eastern part of Germany. This process which took place against the violent resistance of the reactionary forces was completed in spring 1948.

The expropriation laws were directed against all kinds of fascists and war criminals and consequently various kinds of property and enterprises of all sizes out of the different branches came under public ownership. This proves that the question of property of the means of production during this time was not dealt with in the sense of socialist revolution but in the sense to punish those who were responsible for fascism and war.

The socialist revolution expropriates the capitalists i.e. the capitalists are liquidated as a class, but the property of craftsmen, the small retail traders and the working peasants who are regarded as potential allies is not touched. The expropriation laws of 1946 however did not make this class distinctions. According to these laws it was only important whether somebody was guilty of fascist and war crimes or not. Thus it happened that on the one hand capitalists who could prove that they were not involved in fascist activities were not expropriated but on the other hand many craftsmen, farmers, traders etc. fell under the conditions of these laws. But all the imperialist monopolies were so close interrelated with the fascist state and party and had got so much profit out of the war, that none of them could escape expropriation.

The German organs of self-administration now had to solve the problem how to dispose of the great number of enterprises of different branches, different specialization and different size. It was quite obvious that a reprivatisation of the large monopolistic enterprises

and the vital infra-structural utilities would only mean to restore imperialism with other individuals at the top. This of course was not in the interest of the working people and could not be permitted. Therefore those enterprises had to remain under national ownership. But the same conclusion could not be drawn with regard to the many small handicraft workshops, retail shops etc. Hence, the greater part of these small enterprises was sold to private people who, of course, had to prove that they were not involved in fascist or war crimes.

The social structure of the economy changed considerably. This is most clearly indicated by the industrial sector. In 1948 a total of 39% of the gross industrial production was supplied by the nationally-owned enterprises. In the production of raw material their share was 46.2%, in the metal-working industry 42.6 and in the light industry 37.5%. Besides this 22% of the industrial gross production was produced in enterprises which were in accordance with allied agreements taken over by the Soviet Union. These enterprises^{were}/originally were destined to be dismantled for reason of their war production potential or as reparation deliveries to the Soviet Union. The Soviet Union however left these enterprises in Germany thus preserving the working places for many ten thousands of workers. It goes without saying that the activities of these enterprises were turned to a production programme serving peaceful purposes. For some years they were working for the payment of the reparations but step by step the Soviet Union returned them to the German people, the last of which in 1953.

Thus already in 1948 more than 60% of the industrial gross production were produced in socially-owned enterprises, among them all large and vital capacities whereas the private sector consisted of some hundreds of thousands of small and medium-sized enterprises mainly in the size group below 100 employees, and handicraft workshops.

In 1950 there were for instance 17 534 small and medium-sized capitalist industrial enterprises, 3 454 capitalist enterprises in building and construction, 303 821 handicraft workshops and 190 010 private retail traders. Although the greater part of the private enterprises was rather small, still they had a considerable share in industrial gross production. In the total industrial gross production this share amounted to approximately one quarter, but in certain branches in particular in the light industry it was much higher and exceeded in several sectors 50%.

The existence of this relatively important private capitalist sector brought about some serious problems for planned development of the economy.

a- Within this sector the capitalist economic laws were still in operation, i.e. profit was the driving force of their activities and exploitation of the employees was still the means to realize this aim. Hence the basic contradiction between workers and capitalists was not yet solved in this sector.

- b- The striving for high profits run contrary to the requirements of proportional development according to the aims of the plan. Hence the capitalist sector became a potential source of disturbances.
- c- On the one hand this capitalist sector represented an important economic potential the fast development of which would have been necessary in the interests of economic construction. On the other hand an unlimited development of the capitalist enterprises could not be permitted without jeopardizing the results of the revolutionary transition process which had taken place since 1945. Thus another source for disproportions and for only uncomplete utilization of the potential available was created.
- d- The existence of a large sector of private handicraft still provided the reservoir from which new capitalist enterprises could emerge.

Under these conditions the economic policy towards the private sector became of great significance. The proceeding point of this policy had to be, that in the process of the anti-fascist democratic development a firm alliance between the working class and the other classes and strata of the population had grown up. To maintain and strengthen this alliance was an essential condition for the further development of the anti-fascist democratic order. Consequently the above mentioned contradictions had to be solved within the framework of this political and economic alliance. To master these problems the democratic state power had to pursue the following aims:

- a- To limit and to reduce the degree of exploitation and by this the accumulation of capital on the one side and to ensure and enlarge the rights of the workers in the capitalist enterprises on the other side.
- b- To minimize and as far as possible to eliminate the spontaneous disturbances on proportional development caused by the private sector.
- c- To utilize as far as possible the potential of the private sector for the planned construction of the national economy.
- d- To diminish and as far as possible to prevent the transformation of small handicraft workshops into capitalist enterprises.

Two main guarantees were given to achieve these aims, the existence and the fast development of the nationally-owned sector and the leading role of the working class in the new democratic state. Based on these foundations the development of the private sector was regulated and more and more incorporated into planned development. The main economic conditions for this incorporation were provided by the facts that firstly the nationally-owned sector was in command of the most important capacities in the basic industries but also in the production of investment goods and that secondly the wholesale trade with the means of production and with the greater part of consumer goods as well as the entire external trade was under its control too. Thus the private sector developed within a framework of labour division with the nationally-owned sector in which the latter had clearly the

dominant role. But, since the nationally-owned sector was working according to the plan its business relations with this sector allowed to influence the development of the private sector already by means of the normal relations of sellers and buyers. Take e.g. the private metal manufacturing sector. The metallurgy and the metal import trade were nearly completely nationally-owned. Hence, it is quite obvious that the development of the private metal manufacturing sector with regard to its raw material supply depended entirely from the plan distribution of the metallurgical products. The development of these planful relations between the nationally-owned sector and the private sector was supported by the purposeful application of the contract system and the system of the so-called "control indicators" and "production licenses".

Within the overall national plan, targets were fixed not only for the public sector but for the private part of the economy too. These targets were founded on the requirements of the national economy on the one side and on the capacity as well as the raw materials and intermediate goods available during the plan period. These indicators were part of the various production and material balances. From these balances the control indicators for the private sector were derived according to products, product groups and the territorial distribution of the private production capacities. These control indicators were the main tool in the hands of the regional and local authorities to regulate and to direct the development of the private enterprises.

In order to coordinate the social requirements (as reflected in the control indicators) with the initiative of the private entrepreneurs the contract system and the production licences were applied. Either the private owners offered contracts to the potential buyers of their products or the customers asked for delivery contracts from the private producers. Only if such a preliminary agreement was completed, the private enterprise could ask the responsible authority for a production licence. The authority concerned (normally the regional state organs or institutions subordinated to them) balanced the contract offers against the control indicators and granted the production licences if the proposed production was within the range of the control indicators. Together with the production licenses the private enterprise received the authorization to buy the necessary materials and intermediate goods as far as they were under central distribution (which was during the first years a rather large share of all materials and intermediate goods).

The application of this procedure contributed essentially to ensure to a large extent that the private sector could produce only those commodities that met the urgent needs of the population and the national economy. Simultaneously the linking of the supply with raw materials and intermediate goods to the obligation to produce certain specified commodities allowed to guarantee an economical utilization of scarce materials and intermediate goods because this supply was regulated by normatives. A further advantage of this system was the

opportunity to control by means of the production licences the growth of the capacities in the private sector, i.e. to check capitalist accumulation. With the growing weight of the nationally-owned sector the contract system became a very important instrument to link the development of the private enterprises more and more with the planned development of the national economy as a whole. In the course of time in many cases the relations between nationally-owned and private enterprises advanced to relations of stable cooperations.

A further step to develop this cooperation was the voluntary incorporation of the private enterprises into the so-called "production groups" (Erzeugnisgruppen).. The production groups are associations of all enterprises producing certain commodities belonging to a certain commodity group. Under the guidance of the most advanced enterprise of the branch (generally a nationally-owned enterprise;) the tasks of the various production groups are directed towards the improvement of the social labour division by means of a rational specialization in research, production and marketing as well as towards the mutual exchange of experiences in several fields. Beside this, the production groups proved also to be very efficient with regard to a higher quality in balancing (commodity balances) and to the quality of planning as a whole. The development of different forms of relations between the two sectors had not only economic results but was also essential for the development of social relations, i.e. it created an atmosphere of growing confidence and mutual assistance among the different classes and strata of the population.

The regulation of the development of the private sector was also implemented by the financial and price policy. There were two main directions in this policy: firstly to limit capitalist accumulation mainly by means of progressive taxation on profits, and secondly to stimulate the development of desirable activities of the private enterprise mainly by means of credits and favourable prices.

Within the process of incorporation of the private sector into the planned development the workers of this sector, particularly their trade unions, played an important role. Not only that they defended of their rights in the respective enterprise, they also exercised an efficient control that the entrepreneurs observed the laws of the democratic state strictly.

Although this policy towards the private sector allowed to control and direct its development to a large extent this policy did not effect the foundations of the production relations, i.e. the private ownership of the means of production. Therefore it could not solve the contradictions stemming from the capitalist production relations. To solve these contradiction private property had to be overcome itself. This problem became more and more urgent since after the foundation of the G.D.R. and the declaration that this state will take the road to socialism, in 1952 the creation of an advanced socialist economy became the task of the day. The workers' party as the leading force of the society had to decide the question how to achieve this aim.

Concerning the handicraft sector the way was theoretically elaborated and practically tested, it was like in agriculture, the way of the cooperative movement, i.e. the voluntary union of the craftsmen in producer cooperatives. But for the still existing capitalist sector no such model solution existed. Experiences in the other countries had brought about the result that the bourgeoisie was not willing to cooperate with the workers' class and consequently had to be overthrown and expropriated by force. In the G.D.R. however another constellation of class forces had developed. Under the conditions of the antifascist-democratic development a situation had emerged, that large sections of the remnants of the bourgeois class were ready to maintain their alliance with the workers' class even during the socialist stage of the revolution if the workers' class was ready to offer them and their families a clear perspective and a secure existence.

The joint work in the National Front and in the anti-fascist democratic bloc created the prerequisites for jointly solving this problem too. A significant factor, contributing to this solution was, that the most progressive entrepreneurs recognized the necessity of this change-over themselves and submitted proposals for the first steps in this direction. The party of the workers' class, the Socialist Unity Party, supported the proposals of the Christian Democratic Union and of some entrepreneurs and recommended in 1955 the state participation in private enterprises. On January 1st 1956 the first contracts were put into effect. This date marks the beginning of a new period in the development of the capitalist sector. Its social character began to

change. Through the participation of the socialist state in capitalist enterprises relations of production were created that were directed towards the gradual transition from capitalist to socialist ownership. Consequently, although not all contradictions were solved by the state partnership the essential relations between the working class and the entrepreneurs were no longer determined by these contradictions but by the common interests.

The legal form chosen for these enterprises was mainly the limited partnership, a form well-known and familiar to the entrepreneurs from the past. The contracts of partnership basically corresponded to the rules of the Commercial Code. Normally the hitherto private entrepreneur was charged with the management of the new semi-state enterprise. He became the fully responsible manager. The approval of the state partner had to be obtained only for decisions going beyond usual business processes and for decisions as specifically agreed in the deed of partnership. This comprehensive responsibility was independent of the amount of state investment in the enterprises. Even in the enterprises where the share of the state was 90% and more of the total capital the private partner was the fully responsible manager, i.e. as a rule the private party was the one with the unlimited liability and the state party the one with the limited liability.

During the first periods of the development of state participation the German Investment Bank acted exclusively as state partner. Again this decision was made because completing a contract with the

bank was a business operation familiar to the entrepreneurs. However soon it became evident that in many cases it was advantageous to assign the functions of the state partner to a nationally-owned enterprise in the same or a related field of production. This was so because a nationally-owned enterprise could offer much more effective assistance to its partners in the further development of production, in the introduction of modern socialist managerial methods and in other fields.

One of the main advantages of the partnership with the nationally-owned enterprises was the fact that these enterprises were in a position to support the semi-state enterprises beyond the duties fixed in the contracts. Such support could be given by the exchange of experiences and occasionally also of qualified personnel, in providing scientific and technological documentations and in similar matters.

The gains of the semi-state enterprises were divided according to the share of capital invested by the parties. Beside his share in the profit the manager of the enterprise, i.e. normally the former private entrepreneur received a salary for his activities. Since this salary was considered as labour income, opposite to capital income, it was taxed only with the maximum rate of 20% in accordance with the law regulating the wage taxes on the income of workers and salary of the employees. His share in the capital income however was liable to the progressive income tax the progression of which went up to 90% for that part of the gross profit surmounting 250 000 Mark (=LF 40 000).

Having discussed the legal form of state participation we'll now evaluate the economic and social results of state participation in private enterprises. One preceding point was that the contradictions still in force in the private enterprises were jeopardizing their further development and incorporation into the planned socialist economy. Consequently the question arises to which extent these contradictions could be overcome by state participation.

There are first the barriers to accumulation. These barriers existed in the private enterprises for two reasons: firstly, since the

private sector consisted mainly of small enterprises, the quantity of surplus value available in the single enterprise for reproduction on an extended scale was rather low.

Beside this purely economic barrier there were secondly the already mentioned socio-political limitations, i.e. the interest of the ruling working class to keep the extent and degree of exploitation in the private sector as low as possible and to prevent a fast expansion of capitalist relations of production.

Both these barriers were abolished to a large extent when an enterprise took in the socialist state as its partner. Concerning accumulation power the semi-state enterprise could now rely on the resources of the national economy as a whole and concerning the socio-political limitations the extension of accumulation and production of the semi-state enterprises meant no longer an appropriate extension of exploitation. Thus the measures to limit exploitation were no longer a limiting factor for the development of these enterprises. Now the criteria of the development of these enterprises were the requirements of the national economy.

The elimination of these barriers to reproduction on an extended scale is an essential factor of the superiority of semi-state over the private enterprises, but by no means the only one. Of high importance were the social changes which took place within these enterprises. After voluntarily accepting a state participation the previous private entrepreneur became more and more also an agent of the socialist state entrusted with safeguarding and developing social property. On this point his tasks were in coincidence with the collective interests of the working people and therefore the workers started to take an active part in the development of the efficiency of the enterprise, its technological development and in improving the management. There is evidence that these factors were not only of theoretical importance but that they resulted in measurable economic achievements. To illustrate this the following figures can be given:

Table 4: Development of Private and Semi-State Enterprises From 1956 to 1970 - Main Indicators ⁶⁾

Item	1956		1960		1965		1970	
	Private	Semi-State	Private	Semi-State	Private	Semi-State	Private	Semi-State
1- Number of Enterprises	12 278	144	6 476	4 455	4 256	5 458	3 184	5 632
2- Number of Employees	412 233	14 331	173 612	291 116	103 878	341 197	73 195	353 033
3- Industrial Gross Production (Constant Prices)- In 1000 Mark	5 261 795	163 435	2 656 571	5 178 207	1 971 638	8 665 812	2 036 000	14 427 800
4- Share in National Industrial Gross Production - in %	11.1	0.3	3.8	7.5	2.2	9.8	1.4	9.9
5- Share of Semi-State Enterprises in Industrial Gross Production of Semi- State & Private Enterprises-in %	-	3.0	-	66.1	-	81.5	-	87.6
6- Labour Productivity (Gross Produc- tion per Employee)-in Mark	12 764	11 404	15 302	17 787	18 940	25 398	27 816	40 868
- in % (1956 = 100)	100	100	119.9	156.0	148.7	222.7	218.2	358.3
7- Gross Production Per Enterprise								
- in Mark	428 554	1 134 965	410 218	1 162 336	462 283	1 587 727	639 447	2 561 754
- in % (1956=100)								

6) Calculated according to Statistisches Jahrbuch Der Deutschen Demokratischen Republik 1968 and 1971.

The relations of production were developed further during the first months of 1972 by paying out the private shares from enterprises with state participation and purchasing private enterprises by the state. In this way these enterprises were transformed into nationally-owned enterprises.

Thanks to the long lasting partnership between the working class on the one hand and the small and middle entrepreneurs and private partners of state enterprises on the other hand this important socio-economic step could be done too with the approval of the overwhelming majority of the private partners and entrepreneurs. This is proved by the fact that a large part of them is now in leading positions either in these newly-formed nationally-owned enterprises or in other functions if their abilities are there of more use for the society.

This revolutionary transformation could be completed within a few months time thus increasing the share of the nationally-owned enterprises in national industrial gross production from 83.3% in 1971 to 99.4% in 1972.

5. Some Main Features of the Development of Management and Planning in the G.D.R.'s Economy

With the creation of nationally-owned sector it became more and more evident that the economic-organizational function had to play a growing part within the framework of activities of the new state organs. But to manage a modern economy needs planning. This necessity arises with the development of labour division on a

large scale because only with planning it becomes possible to maintain and to develop the necessary interrelations and proportions among the various sectors and spheres of the economy.

With the creation of the nationally-owned sector and the establishment of the democratic state organs the opportunity was provided to introduce a comprehensive economic and social planning in the interest of the working people.

Although planning is a term widely used in contemporary economic and political literature there are many different opinions about what planning really means. Thus it seems advisable to describe the main features of planning as they are understood in the socialist countries, derived from the experience of some decenniums of scientific and practical work on this field.

Planning is a social category.

The necessity and the possibility as well as its aims depend entirely on the social mode of production. In the capitalist mode of production the private ownership of the means of production and the struggle for maximum profit prevent the successful application of planning on an overall economic scale.⁷⁾

7) Although there is much talk about indicative or collaborative national planning in the western countries, practice proves the failure of the capitalist system to achieve planned proportional development. This has to be admitted even by western non-marxist economists as soon as they try to analyse the development seriously. Examples of this kind are Chenery's analysis of the development policy for Southern Italy and its results (H.B. Chenery, Development Policies for Southern Italy, Quarterly Journal of Economics, Volume 76/62, pages 514 - 547) or Kapp's investigation of social costs (K.W. Kapp, Social Costs of Business Enterprise, Asia Publishing House, Bombay 1963).

Under Socialism the limitations for planning imposed on the society by the capitalist contradictions are liquidated since the important means of production are put under the peoples control and have to serve the peoples interests. They can be managed like one single enterprise. Thus the requirements to plan comprehensively caused by labour division on a large scale can be met by the socialist society. Elaboration and implementation of comprehensive economic and social plans became feasible and necessary and planning developed to one of the most important activities of the socialist state.

There are several prerequisites for planning that have to be created during the process of the revolutionary transition of society:

- The economic prerequisite i.e. the social ownership on the most important means of production,
- The social prerequisite i.e. the alliance of the workers' class and the working peasantry,
- The political prerequisite i.e. the state power of the working people,
- The organizational prerequisite i.e. the existence of an efficient apparatus to manage social life on all levels and in all spheres.

The scientific Character of Planning

To put the plan on a scientific foundation means to observe the following principles:

- a.- The plan has to proceed from a profound quantitative and qualitative analysis of economic and social development, its laws and tendencies. Hence the analysis has to provide the answers to the following questions:

.. What developed?

.. How did it develop?

.. Why did it develop?

Furthermore it has to evaluate the stage of development revealed by the answers to these questions against the social aims and requirements and to give a realistic assessment of the resources available for future development and of their feasible growth. Such an analysis is a condition of uppermost importance to establish the plan on firm grounds.

- b- The plan has to reflect the social requirements that are generally expressed in the economic and social laws as growing well-being of the people, proportional development of the economy, economy of time etc. but which are specific in appearance during the various development stages. The main requirement is given by the general aim of the socialist society i.e. the aim to satisfy the permanent developing material and cultural needs of the people to the highest possible extent. This aim provides for all decisions of any further material and cultural development.

This aim is a strategic one. The elaboration of any plan therefore has to be based on the research into the laws of economic development and their mode of action. The science dealing with the economic laws is political economy, the subject matter of which is defined as follows:

" Political economy is the science of the economic relations among people. It explains the laws which regulate the production and distribution of material wealth in human society in the different stages of its development. Political economy is the study of the basis of social development.⁸⁾ Therefore political economy is regarded as one of the most important scientific foundations of planning.

Consequently no practicable plan is possible without a basic knowledge about the economic laws. And the improvement of its quality depends to a large extent from a growing understanding of these laws, and proceeding from this their ever better utilization. But the scientific foundations of planning are not confined to political economy. The reason is, that political economy is concerned only with some aspects of social reality but that the plan has to take into account the whole complexity of social life, its internal and external development conditions, economic factors as well as non-economic. To give an example, the knowledge about natural resources' endowment of the country and about the future prospects of their utilization is not provided by political economy, but it is of course essential when a comprehensive plan has to be elaborated. Therefore the plan has to proceed too from the latest achievements of social and natural sciences, and considering their applicability under the prevailing conditions during the

8) P. Nikitin, 'Fundamentals of Political Economy', Foreign Language Publishing House, Moscow, page 15

planning period, to select the most efficient development variant. This asks for prognostic work i.e. for research into possible courses of development, their prerequisites and consequences and their results with regard to social efficiency, and this in turn asks for teamwork on a large interdisciplinary scale.

c- Although economy is the backbone of social development one has always to keep in mind that economic activities are only the means to gain the social aims, i.e. under socialist conditions the ever growing well being of the people. Consequently comprehensive planning is not merely economic planning in its narrow sense but has to cover many more dimensions like cultural development, education etc. Therefore the so-called social planning (in the sense as distinguished from economic planning)⁹⁾ is of growing importance within the framework of comprehensive planning.

d- The plan has to take due account of the fact that the economy is an organic entity and therefore the development requires proportionality. Consequently a methodology has to be developed which enables the planners to observe the necessary relationships. To this end balances and normatives have to be applied. Therefore the balance method based on scientific normatives is regarded as the most essential tool in planning as well as in plan control.

The binding force of the plan and the clear-cut responsibility for its elaboration and implementation on all levels of management.

9) For the definition of planning in this sense compare J. Mihalik, Social Development Planning, INP Memo No. 1074 Cairo September 1974.

One of the main conditions for the successful implementation of any plan is its binding character as public law and derived from that the responsibility of all people concerned, from the central government down to the last village and enterprise to make all efforts to fulfil the planned targets. A merely indicative plan as advised by many western economists can never guarantee the unified action necessary to develop a modern economy proportionally and with the highest possible efficiency. Under capitalist conditions however such an indicative plan is the highest possible achievement of overall national planning and thus those teachings of bourgeois economists are nothing else than the theoretical expression of the incapability of the capitalist society to bring about a really planned development. To accomplish this binding force of the plan needs - beside the general social, economic and political conditions already mentioned - a whole set of methodological and legal tools and rules.

The fundamental principle on which this entire system is based is the principle of "Democratic Centralism". This principle is directed to ensure the combination of central planning and management with the initiative of the workers, their collectives, the management of the sectors, enterprises etc.

The elaboration of the plan takes place in a democratic mass movement which includes the central governmental organs as well as the workers and employees in the sectors and enterprises.

Since the plan determines the main directions and proportions of the social and economic development it is a political document of uppermost importance or as Lenin called it "the plan is the second Party Programme". Consequently the workers' party feels directly responsible for the elaboration and implementation of the plan. It is the party which submits to the people the main outline of the short-and long-term plans and which inspires the democratic discussions throughout the whole country. Proceeding from this main outline given by the Party the government organizes the elaboration of the plan. Within this process all the state and economic management organs, enterprises and institutions have to elaborate their plan drafts.

In order to guarantee the proportional development in accordance with the targets set in the "Party's Directive" the State Planning Commission prepares the comprehensive national balances (e.g. national income) and elaborates on that basis the main tasks of the various ministries and allocates the resources accordingly. The ministries themselves are responsible to determine the main tasks for the subordinated organizations. In this way the procedure is carried through until the "Orientation Figures" for the plan elaboration reach the single enterprises and institutions.

In the enterprises and institutions the detailed plan drafts are elaborated. This is one of the most important stages within the whole planning procedure because on this level the broadest participation of the working people takes place. The creative activities of the masses in many cases result in higher plan targets

as compared with the orientation figures of the superior management organs. These plan proposals form the basis of the coordinated overall plan which after it is adopted by the supreme state organs becomes the obligatory directive rule for the activities of all enterprises, organizations and ministries.

This planning procedure ensures that the plan is not only the work of some officials and specialists but that the masses of the people take part in its elaboration and therefore the plan is really a people's plan reflecting the ideas and interests of the masses.

At the same time this procedure is of great importance as a mobilizing factor since the workers and farmers who have taken part in the elaboration of the plans feel themselves also responsible for the realization of their particular share. Thus elaboration and implementation of the plans are organically linked, and as a rule, together with the plan targets the ways how to implement them are worked out.

In order to ensure that the plan targets are fulfilled in quantity, quality and in time a comprehensive system of plan control is organized. The plan control system has the tasks to provide up-to-date information about the implementation of the plan, to recognize and signal any disturbances in order to enable the authorities concerned to introduce the measures necessary either to ensure the fulfilment of the plan targets or to propose changes if this is required by unforeseen developments.

Plan control is exercised by different organizations and in many forms.

The most important forms of this control are:

- The statistical follow-up of the plan. For most of the important plan targets monthly or quarterly reports are elaborated and comprehensive reports about the implementation of the plan are submitted to the public by the State Central Administration for Statistics every six months.
- Efficiency control is exercised by the banks the financial institutions and the price organs. Their function is to control the planned development of the reproduction process by means of controlling the formation and utilization of the money funds. Besides this price control has to guarantee the maintenance of the price stability.
- The rapport system within the hierarchy of management and inspections on the spot by the higher authorities.
- The control by the working people. Here one has at least to mention the accountability of the management to the workers and their organizations, the control organs of the trade unions and the youth organization and the control functions exercised by the workers' and peasants' inspection and the elected people's representations on all levels of the state power.

The main features of comprehensive planning as described above are the features of a fully developed system of planning.

This was of course not existing right from the beginning in the G. D. R. 's economy but grew step by step over a rather long

period. During the first stages which lasted approximately up to the middle of 1948 the most important prerequisites for planning and management had been created. In previous chapters we discussed already the development of the political unity of the working people under the leadership of the workers' class and its party, the expropriation of the war and nazi criminals and the creation of the nationally-owned sector and the democratic land reform as well as some aspects of the new state system. This development provided the economic and social preconditions of planning. But in order to make proper use of them an adequate economic organizational set-up had to be established.

The first steps on this way were the production and supply orders given by the Soviet Military Administration. The aims of these orders were to presume production and to ensure just distribution of the scarce consumer goods. Based on these production and supply orders quarterly plans and simple demand-supply balances were elaborated. Thus right from the beginning the balance method was introduced in the planning practice. These first steps, however, took place in local and provincial levels only. Even the nationally-owned industries were not yet under central management, but were administered by the local and provincial organs.

Although this was the only possible way to restore in a short period economic life it proved soon that this was not sufficient for a planned development of the national economy as a whole. The provincial governments lacked the insight and the power to coordinate economic development on a national scale and in some

cases even tendencies arose to pursue egoistic provincial interests. In order to overcome this contradiction between the necessities of a proportional development of the national economy and the too far reaching decentralization of management the German Economic Commission was created in 1947. In the middle of 1948 after a certain preparatory period this commission took over the legislative and administrative responsibility for economic construction in the then Soviet occupation zone.

One of the first measures of the German Economic Commission after it had taken over its responsibilities was to reorganize the management of the nationally-owned sector. The economic most important enterprises were combined according to sectors and sub-sectors in centrally managed associations of nationally-owned enterprises, directly subordinated to the German Economic Commission. Thus a management system was created which provided the basis for a strong and coordinated planned development on national level.

The introduction of comprehensive planning needed still another condition. As a result of the fascist war there was a tremendous excess of money. Despite the fact that the production was far below the pre-war period the circulation of bank notes had increased to the tenfold during the war time. Although measures immediately taken by the Soviet occupation power and the German organs of self-administration prevented the worst such hypotrophized money circulation could of course not provide the basis for a sound planning of economic development. Consequently, a currency reform had to be carried through. Originally in accordance with the Potsdam Agreement the currency reform was supposed

to be an all German measure. But the occupation powers in the western parts of Germany broke this agreement and a separate currency reform was implemented in the western occupation zones. Thus the uniform German currency was destroyed and the democratic forces in cooperation with the Soviet Military Administration had to accomplish an own reform.

In this reform money circulation was brought down to approximately one tenth of its hitherto volume, thus bringing purchasing power and available supply roughly into accord. But - contrary to the currency reform performed in the western zones - great care was taken to avoid social hardships for the working people as far as possible.

The currency reform reestablished the function of money as the measurement of value and laid the foundation for the since then stable currency of the G.D.R., thus creating an important condition for the combination of material and financial planning, for the utilization of money incentives on different levels to stimulate economic development and for the control of plan implementation by means of the financial institutions, the bank system and the price organs. Simultaneously the currency reform struck a heavy blow against the black market profiteers, in fact expropriated the wealth they had acquired illegally, and - together with the foundation of the nationally-owned retail trade organization "Free-Shops" - finished the black market within a few months' time. This was a rather important side-effect of the currency reform, since this meant that a strong disorganizing factor in the sphere of commodity distribution was liquidated.

Thus up to 1948 the conditions were created to introduce a new quality in planning. The most outstanding features in the development of planning and management during the following period were the growing time horizon and comprehensiveness of the plan as well as the creation of the many-sided system of planning and management tools, techniques and organizations. The quarterly plans of the early years and the Half-year-Plan in 1948 were confined to the planning of production and its distribution in material terms only.

Although this only quantitative planning of output and distribution was a necessary step, it could not meet the growing requirements under the point of view of a long-term policy for the reconstruction and the further proportional development of the economy.

To implement a long-term economic policy made it necessary to take into consideration the entire complexity of the social reproduction process e.g. to include such important basic issues in planning as

-- the planning of the growth of national income and its distribution into the main funds for accumulation and individual and social consumption.⁽¹⁰⁾

-- The development of the various sectors of the national economy i.e. the planning of the resources allocated to bring about this

(10) The proportional distribution of national income between consumption and accumulation i.e. the decision about the relationship between the immediate and the future growth of living standard is a key decision of any comprehensive plan. Many of the other main proportions, the development of the economic structure according to sectors and even the growth rate of the national income itself are depending on a large extent from this decision.

development as investments, labour force, raw materials and semi-finished products, financial means and other development conditions as well as the planning of the material and financial results of this development for the national economy as a whole.

- The interrelationship between the sectors, i.e. for instance the planning of the proportions between the production of the means of production and consumer goods, the proportions between the raw material sectors and the manufacturing sectors, the proportions between the purchasing power of the population and the supply of consumer goods and services, the impact of international labour division in particular among the socialist countries on the national economy.
- The spatial distribution of the productive forces including the system of settlements and the protection and improvement of environment.

These tasks could not be solved within the framework of short-term plans. Hence, first a two-year-plan for 1949/1950 was elaborated and beginning with 1951 comprehensive five-year-planning has been introduced. Whereas the 2-Year-Plan still was mainly concerned with the task to regain the economic level of the pre-war-time, in the first two Five-Year-Plans the targets were set to overcome the structural disproportions caused by capitalism and by the division of Germany -- and to reconstruct the economy according to socialist requirements. This latter task became possible and necessary since during this time the revolutionary transition process entered into its socialist stage. The establishment of the GDR in

1949 under the firm leadership of the working class and its party, the successful development of the nationally-owned sector, the ideological evolution of the working class and its allies and many other social changes had created the conditions for this new quality of social development. To implement these targets laid down in the plans the following main tasks had to be solved:

- Concentration of resources to achieve a fast development of such basic industries as metallurgy, power and fuel industry, chemical industry, metalworking industry and building industry as a foundation of further development.
- Improvement of the organization of social labour by means of concentration, specialization, co-operation and combination in order to increase efficiency.
- Preferential treatment of hitherto backward regions thus accelerating their development and narrowing the gap between them and the advanced areas in order to bring about a more even level of living standard and to rationalize the spatial distribution of productive forces.

These rather ambitious tasks which aimed at the achievement of the victory of socialist relations of production in all sectors of the national economy were successfully accomplished during this ten-year period. The following data may serve to illustrate just some aspects of this development.

Table 5: Index of Industrial Gross Production According to Industrial Sectors and Products 1936, 1955, 1960 (1950 = 100)¹¹⁾

Sector/Product	1936	1955	1960
1- Industrial Gross Production	90	190	294
2- Power and Fuel Industry	75	137	169
of which Electric Energy	72	147	207
Lignite pressed Coal	62	135	165
3- Chemical Industry	57	189	295
of which Sulphuric Acid	123	197	243
Phosphate Fertilizer	130	342	670
4- Metallurgical Industry	167	246	354
of which Raw Steel	95	224	298
Rolled Steel	115	241	325
5- Building Material Industry	112	177	308
of which Cement	199	210	356
6- Mechanical Engineering and Vehicle Construction	91	209	365
of which Agricultural Machines	0	425	773
Tractors	0	151	171
Passenger Cars	0	311	894
7- Electrical Engineering, Electronics, Precision Engineering	61	228	460
of which High & Low Voltage			
Switch Gears & Accessories	0	151	431
Radios	148	261	292
8- Light Industry without Textiles	91	155	225
of which Leather Shoes	193	221	329
Paper	253	132	169
9- Textiles	102	177	246
of which Fabrics	110	174	221
10- Foodstuffs	128	216	299
of which Meat Products	95	418	669
Butter	120	202	245
Flour	102	109	108

11) Calculated according to Statistisches Jahrbuch der Deutschen Demokratischen Republik 1974.

Table 6: Share of the Socialist Enterprises in Social Gross Production
According to Sectors 1950 and 1960 in Per Cent. (12)

Sector	1950	1960
1- Industry and Crafts (without Crafts in Building and Personal Services)	70.7	84.5
2- Building and Construction (including Building Crafts)	31.6	78.0
3- Agriculture and Forestry	12.6	80.1
4- Transport, Post and Communications	83.5	92.6
5- Trade	62.1	86.6
6- Other Productive Sectors	88.1	92.7

The tables show, that, due to the tremendous efforts of the working people, the most important structural weaknesses had been overcome and that the socialist sector was dominant in all important spheres of the economy. Hence one of the main tasks of the transitional period from capitalism to socialism was solved and the transition period more or less finished. In the early

(12) Statistisches Jahrbuch der Deutschen Demokratischen Republik 1968.

sixties the socialist society began to develop on its own foundations. The classical question "who - whom" was decided in favour of the working class. The final step in this direction was taken when in 1961, at the 13th of August the up to then open borders to West Berlin were closed, thus preventing the western imperialists from open influence into the development of the G.D.R. Thus a new phase in the evolution of socialism in the G.D.R. started.

Although the socialist relations of production had been established this was not sufficient to complete the building of socialism, because socialism means more even in the economic sphere. ^{asks} Socialism for a high level in the development of productive forces and a high efficiency in their utilization. To achieve this, became the main task during the following time.

Socialism had now to prove that it was able to gain a higher level of social efficiency than capitalism and that it was able to master the scientific-technological revolution in a human way, i.e. for the benefit of the entire people. Hence a new phase in the socialist reconstruction of the economy had to be introduced during which special emphasis had to be laid on the development of labour productivity in general and on the development of those particular industries that became more and more decisive for economic and social progress. Therefore top priority had to be given to the fast development of petrol-chemical

industries, electrical engineering and electronics, machine building and similar branches in order to adapt the G.D.R.'s economy to the requirements of the scientific-technological revolution. Furthermore scientific research had to be combined more closely with production and the purposeful application of science and its findings in all fields became of uppermost importance.

On this way the following two Five-Year-Plans brought the G.D.R. a large step ahead, To illustrate this, again some figures:

Table 7: Output Index of some selected commodities in 1970
(1960 = 100) 13)

1-	Fuel Oil	1173
2-	Caprolactam	373
3-	Plastics and Synthetic Resins	322
4-	Synthetic Fibres	610
5-	Machines and Equipment for Chemical Industry	208
6-	Agricultural Machines	256
7-	Constructional Elements for Electronics	679
8-	Appliances for Regulation and Control	592
9-	Machines and Equipment for Data Processing and Office Machinery	650
10-	Laboratory Equipment	244

How far the production process was modernized and intensified during this 10-year period is indicated by the development of fixed assets per employee.

Table 8: Fixed Assets Index per Employee According to Productive Sectors 1970
(1960 = 100) 14)

1-	Industry	171
	of which	
	• Power and Fuel Industry	205
	• Chemical Industry	174
	• Metallurgical Industry	177
	• Building Materials Industry	187
	• Water Supply	143
	• Mechanical Engineering and Vehicles Construction	162
	• Electrical Engineering, Electronics Precision Engineering	181
	• Light Industry (excl. Textiles)	171
	• Textile Industry	173
	• Foodstuffs Industry	150
2-	Productive Crafts (excl. Building Crafts)	162

13) Calculated according to Statistisches Jahrbuch der Deutschen Demokratischen Republik 1974.

14) See Footnote No. 13.

Cont. Table 8:

3- Building and Construction	224
4- Agriculture and Forestry	237
5- Transport, Post and Communications	139
6- Internal Trade	169
7- Other Productive Sectors	192
<hr/>	
8- Grand Total of all Productive Sectors	175
<hr/>	

In order to evaluate the development of fixed assets properly it should be mentioned that between 1950 and 1960 the fixed assets per employee in all productive sectors increased to 126% only. Whereas this growth amounted to 175% during the period from 1961 to 1970. As a result of this modernization and of other factors the industrial labour productivity rose to 179% and in the building industry even to 197%.

From the very beginning of her existence the G.D.R. has always maintained a close cooperation with the Soviet Union and the other friendly socialist countries and many of her successes are unthinkable without the brotherly assistance of the Soviet Union. The organizational framework of economic cooperation was already set 1949 with the foundation of the Council of Mutual Economic Assistance (CMEA). The G.D.R. applied immediately after her foundation for membership and became a member in 1950.

With the CMEA a new type of international economic organization came into being. It is a new type because it is a socialist organization,

based on the socialist relations of production, on the uniform political character of the member states as states of the working people, on the common ideology, the scientific socialism, and on proletarian internationalism.

Right from the beginning the work of the CMEA had the aims to contribute, by means of cooperation and unification of the efforts of the member countries, to the

- Planned development of the national economies,
- acceleration of economic and technological progress,
- equalization of the economic development level of the member countries,
- permanent increase of labour productivity,
- continuous improvement of the wellbeing of the peoples.

The member countries of the CMEA developed successfully along this line and became the most dynamic economic region in the world. At the end of the sixties it became however obvious that a new stage in their cooperation had to be initiated. The development of the socialist system as a whole^{as} well as in each of the member countries had created the conditions and the process of scientific-technological revolution made it imperatively necessary to widen the scope of cooperation and to deepen the economic relations of the CMEA countries. To meet these requirements the Council adopted 1971 the "Aggregate Programme about the further Deepening and Improvement of Cooperation and the

Development of the Socialist Integration of the Member Countries of the CMEA".

This programme is intended for a period of 15 - 20 years. To develop cooperation over such a period means of course that planning is of upper-most importance and consequently much emphasis is laid on the improvement of cooperation in planning. The member countries have agreed to elaborate uniform prognoses and plans for the development of the most important sectors of the economy and science as for instance power and fuel industry, metallurgy, chemical industry, nuclear research and some other industrial sectors and scientific spheres. In more or less all other fields the elaboration of the national long-term plans is performed in close cooperation. Beside this there is the coordination of the comprehensive medium and short term plans on which the agreements concerning the mutual delivery of commodities and services are based.

Although coordination of plans is a principal method of cooperation and planning there are many other problems where close contacts are developed as e.g. permanent mutual information about the implementation of the plans or consultations concerning the development of planning methodology with the aim to adapt the national methodologies as much as possible to each other. But planning is only the first step to ensure socialist economic integration, i.e. of organized labour division among the member countries by means of specialization and

cooperation. The most efficient solutions, most efficient for the individual member country as well as for the whole socialist community ask in many cases for the concentration of efforts and resources of several or all member countries. Only then it becomes possible to meet the requirements of the scientific-technological revolution. Hence, manifold measures are applied to bring about this concentration. Beside such old established forms as mutual credits and trade agreements new ways came into being in recent times. There are e.g. the construction of joint industrial enterprises, scientific institutes, trade organizations and also the exchange of labour force in order to transmit experiences and in order to use the available capacities to their full extent in countries where there is a labour shortage. Many examples could be mentioned to show that these new ways of cooperation are already practically applied and that they will ^{be} of growing importance during the years to come. This development is also of growing impact on the internal economic structure of the GDR.

As a member of the socialist community the GDR shares all the advantages created by this fraternal cooperation. To mention just some examples there are:

- Some years ago the GDR's mechanical engineering industry still had to deal with a very broad assortment, in fact 80% of the basic types that were produced in the world were also produced in the GDR. This meant, of course, that the scales of production in many cases were

rather low and even large

factories in many respects had to work more or less handicraftlike for reason of small series. In the process of mutual economic socialist integration the situation changed considerably. Thanks to the GDR's specialization on certain types the assortment could be cut down, the output per type increased and economies of scale appeared resulting in a much higher efficiency than before.

- As already mentioned, the GDR is a poor country with regard to natural resources. But this scarcity is no longer a brake for economic growth since integration allows to rely on the rich deposits of natural wealth available in particular in the Soviet Union, but also in some other socialist countries (e.g. bauxite in Hungary, manganese ore in Bulgaria) that can be opened up with united efforts. It is in particular in that field that the GDR takes part in joint investment activities as for instance in the setting-up of the giant cellulose complex of Ust-Ilim based on the large forests in Eastern Siberia.
- The efficiency of investment is considerably influenced by their gestation period. Economic integration provides also for the shortening of this period. There are the already mentioned joint investment activities, leading to the acceleration of construction by means of pooling resources. Another way is exercised in cooperation between GDR and CSSR. Both countries have a large demand for plastics and therefore this branch of chemical industry has to be

developed fast in both countries.

To speed up the development an agreement was concluded to coordinate the construction of the respective capacities in such a manner, that one country begins with the construction of the equipment for the first productive stage and the other concentrates its efforts on stage II. Hence, after the completion of only one stage in each country the capacities can be put into operation as a complex and thus production starts long before it would have started without this coordination.

Many more examples could be added to illustrate the advantages of the socialist economic integration and its impact on the development of the economic structure and it goes without saying that this requires a thorough consideration in the plans. Therefore, beginning with 1974 a new part appeared in the comprehensive plans, the plan of international integration, as a tool to coordinate on the national level the G.D.R.'s share in socialist economic integration and to ensure its implementation.

6. The Democratic Centralism--the Basic Principle of Management and Planning in the Socialist Society

Brought into a very concise formula democratic centralism means the inseparable unity between democracy and centralism aiming at the combination of the planning and management of the overall social interests

with the initiative of the workers, their collectives and the managements of the regions, sectors, enterprises and other organizations and institutions. In detail this means:

- the election of legislative state organs on central, regional and local levels and the accountability of the elected representatives to their electorate about the fulfilment of their tasks and the opportunity to remove any representative or responsible leader from office in case of neglect of his duties.
- Planning and management of all matters of common social importance by the central state and party organs.
- The comprehensive incorporation of the masses of the people into the execution of the state's power on all levels.
- A clear-cut definition of the rights and duties of the various levels and institutions of government and economic management and a proper organization of their cooperation.

Thus the implementation of democratic centralism guarantees the unity of action of all state organs in close cooperation with the working people, their collectives and social organizations under the guidance of the workers' party.

The development of management and planning in the G.D.R. is characterized by the striving for a more and more perfect application of the principle of the democratic centralism. There are several main

tendencies of this development:

- a- The first task during the early years was to establish the state organs from the local to the central level as the state organs of the workingclass and its allies. The early stages of this development were already discussed in a previous chapter but with the transformation of social and economic conditions organization and working methods of the state have to be developed too.

One very important measure in this direction was the so-called administrative reform in 1952, which brought the territorial administrative division of the country into accord with the requirements of the new social system. This became necessary because the territorial administrative set-up in power until this time was based on the boundaries that originated in feudalistic times.

Consequently it didn't reflect the territorial economic structure and it was quite unsuitable to serve the development of socialist democracy. Therefore the five then existent provinces were replaced by 15 districts and the number of counties was more than doubled. Thus the opportunities to incorporate more people into state activities increased by a large extent and the officials of the state apparatus came into closer contact with the people. Furthermore the administrative reform brought the economic and the administrative structure in to better harmony thus creating improved

conditions to entrust the regional and local authorities with the increased responsibility for the political, economic and cultural development within their territories.

Although this reform was one of the most outstanding steps in the process to qualify the state's organization it was of course not the last one. Since economic and social condition are always developing and therefore the adaption of the organization and the mode of operation of social and economic management became necessarily a continuous process.

b- Another main tendency in the implementation of the principle of democratic centralism was and still is the strengthening of the rights and of the responsibilities of the enterprises and of the associations of nationally-owned enterprises.

During the early years these rights had to be very limited since the extreme scarcity of resources and also the lack of qualified management personnel made a strong centralization of all economic decisions necessary. But this had the disadvantage, that the workers had only few chances to participate in the systematic development of planning and management of the enterprises. The fast development of the national economy soon created conditions which made it possible and necessary to change the style of management by way of increasing the responsibility of the enterprises for their

further development. The fundamental step in this direction was the introduction of the cost-accounting system in 1951. Gradually this system became one of the most important methods to guarantee unified action on all levels of the economy and to mobilize all resources for the elaboration of scientific planned targets and their implementation, i.e. to combine central planning and management with the responsibility of the enterprises for planning and management within their range of activities. Based on the planned utilization of the value categories as costs, profits, prices etc. The cost accounting system forces the enterprises to observe the economic principle to achieve the highest possible results in plan implementation with the lowest possible expenses, i.e. with the highest efficiency.

The cost accounting system

- provides the information about the efficiency of the utilization of funds necessary to achieve the plan targets. This is done by means of norms fixing the rate of profit, the rate of cost decrease, the rate of centralized net income (share of profit which has to be delivered to the state) and similar indicators.

Thus, even without planning all details on the central level, the central planning organs make sure that the enterprises elaborate their plans according to the required efficiency standards.

- stimulates the efficient utilization of the funds available by means

- o of awarding the collectives and workers with premiums and other financial and material advantages for fulfilment and everfulfilment of the plan targets. Thus the individual and collective initiatives to improve the economic performance of the enterprise is awakened and by means of a purposeful utilization of the various types of incentives (e.g. premiums for proposals improving the efficiency of the production, bonuses for the economization of the raw material consumption or premiums for the fulfilment of plan targets prior to the set deadlines) directed towards the accomplishment of the overall social interests.
- enables the management and the workers of the enterprises as well as the higher authorities to follow-up and control the realization of the plan targets according to quality, quantity and time by means of book-keeping and statistical analysis.

Such economic categories as prices, profits, costs etc. and their consideration in management were of course not new for the enterprises and book-keeping was well-known since capitalist times. But quite new was the incorporation of these categories into the overall planning procedure and into the plan itself, thus combining material and value indicators inseparably and turning the position of the value indicators, in particular of the profit, from an aim for their own sake into instruments to stimulate and measure the achievements of the primary aim of planning: the satisfaction of the material and cultural needs

of the people. New was also that the value categories were directly utilized to support the over growing harmonization of social, collective and individual interests which is proved in the more and more active participation of the working people in elaboration, implementation and control of the plan.

c- In the implementation of democratic centralism the Trade Unions acquired an ever growing importance. The trade unions as the largest class organization of the workers' class represent the peoples interests. They have essential functions of the comprehensive incorporation of the masses of the people in exercising power. Their main field of activities are the enterprises. Therefore they got great responsibility to stimulate and to organize the creative initiative of the workers and employees. The main ways in which the workers develop their creative initiatives are the socialist emulation and the innovators movement.

Every year millions of workers conclude their emulation programmes after thorough discussions in their working collectives. The emulation programmes are not only aiming at higher economic results but also at stimulating the socialist way of life. The basic idea characterizing the contents of socialist emulation is to strive for a socialist way of working, learning and living. Inspired by this idea in 1973 already about 50% of all workers and employees

set themselves the target to win the title "Socialist Labour Team". The innovators' movement is an important factor to mobilize the masses for implementation of the plan. In particular the emulation movement is directed to more efficient utilization of working time and material resources. Annually many proposals are submitted by the workers how to improve the economic performance of the enterprises. This is testified by the fact, that alone in 1973 more than a quarter of all workers and employees took part in the innovators' movement and that the implementation of their proposals brought about a financial gain as high as 3 600 millions Mark (about 570 millions LE).

7. The Results of Socialist Development for the Wellbeing of the People

This economic development of the G.D.R. since 1945 resulted in an ever growing living standard of the people. Proceeding from a sound and strong economic basis the VIIIth the Party Congress of the Socialist Unity Party, which took place in June 1971 was in the position to formulate as the main economic task of future economic development the further increasing of the material and cultural living standard of the people based on a high development pace of the socialist production, of efficiency, of scientific-technological progress and of labour productivity.

This main task of economic policy confirmed again the course followed by the workers' party to do everything for the wellbeing of the people. But the social and economic foundations to implement

this course are now-thanks to the tremendous efforts of the working people- much stronger than in the early years of the G.D.R.'s development. Nowadays the true features of the socialist society become more and more visible and socialism clearly proves its superiority over the capitalist system.

Since socialism strives for the development of the wellbeing of the people, its successes are reflected in the improvement of the working and living conditions. Here some figures to prove how much each single citizen in the G.D.R. benefits from the achievements of the society:

- The net personal income per capita increased between 1949, the foundation year of the G.D.R. and 1973 to 418% while the retail prices decreased from 1950 to 1973 to about 52%. This development of personal income and retail prices results in a high level of individual consumption.

Table 9:

Individual Consumption of Foodstuffs (Selected Items) per Capita 1955 and 1973 (15)

Item	Unit	1955	1973	1973/ 1955
Meat & Meat Products	kg	45.0	74.0	164.4
Eggs & Egg Products	piece	116.0	249.0	214.7
Fats & Edible Oils	kg	28.5	32.4	113.9
Milk	litre	90.7	101.6	112.0
Cheese	kg	3.0	4.8	160.0
Bread, Flour, Cerials	kg	121.6	95.0	78.1
Potatoes	kg	174.6	143.4	82.1
Sugar & Sugar Products	kg	27.4	36.0	131.4

(15) Statistisches Jahrbuch der Deutschen Demokratischen Republik 1974.

These figures show a typical correlation between the above mentioned development of incomes and prices and the structure of foodstuffs consumption. The more the real income increases the more the consumer's demand changes to higher classified foodstuffs. This explains why the demand for such goods as potatoes, bread etc. diminishes whereas the consumption of meat, eggs and similar products increases.

- Since the consumption of foodstuffs has its limits an increasing share of the growing real income is available for the purchase of durable goods and savings. The following table gives some idea about the equipment of the private households with durable consumer goods.

Table 10: Stock of Selected Durable Consumer Goods per 100 Private Households in 1955 and 1973 ¹⁶⁾

Position	1955	1973	1973 : 1955 %
Refrigerators	0.4	74.5	18 625
Electrical Washing Machines	0.5	66.7	13 340
TV-Sets	1.2	77.6	6 467
Radio-Sets	77.1	95.0	123
Passenger Cars	0.2	21.4	10 700

16) Statistisches Jahrbuch der Deutschen Demokratischen Republik 1974.

Although the consumption of foodstuffs and the equipment with durable goods are important indicators, they are determining the level of the living standard of the population only partly. There are many elements of the working and living conditions which are not depending on the money income of the individuals but are provided by the socialist society. These elements are of growing significance. Taking the total value of consumption of consumer goods and services as 100, the share borne by the society rose from 19.3% in 1960 to 25.8% in 1973.

The attention the socialist state pays to the development of these aspects of the working and living conditions is reflected by many social achievements as for instance:

- a) Any kind of medical care including the supply with medicaments is completely free of charge for everybody.

This basic right is guaranteed by

- nearly 30 000 physicians, i.e. 17.2 physicians per 10 000 inhabitants or one physician for 580 inhabitants in 1973;
- in about 7 500 dental surgeons for 10 000 inhabitants or one dental surgeon for 2 247 inhabitants,
- 588 hospitals equipped with 184 532 beds, i.e. 109 beds for 10 000 inhabitants or one bed for 92 inhabitants¹⁷⁾

(17) See Page 90.

b) Great care is taken by the socialist state for the young generation. The greater part of child care and educational services is given free of charge or against minor fees, by far not covering the costs. Here some figures about the present situation:

- Per 1 000 children in the age group 0-3 years 352 places in the nurseries are available,
- The percentage of places in kindergartens serving the age group above 3 to 6 years is even higher and reached in 1973 77%,
- In the GDR, an integrated educational system was established:
 - . Ten-year school attendance is compulsory for all children. In 1973 this was realized for 90% of all pupils, in 1975 it shall be realized by 100%. More than 150 000 teachers were available in 1973 to teach the 2.7 mill. pupils.
 - . After leaving the ten-year polytechnical secondary school there are 2 ways, one of which the youth has to follow: either to attend the extended polytechnical secondary school leading to matriculation (abitur, about 11% of the students take this way) or to start a vocational training leading to the skilled worker's examination and in some classes at the same time to matriculation.

17) In fact, the number of beds in hospitals was even higher some years ago (121 beds per 10 000 inhabitants in 1965) The improvement and extension of preventive medical services however resulted in a decreasing demand for medical treatment in hospitals. Some formerly very wide-spread diseases as tuberculosis were so much repressed (1950 50.4 new cases of tuberculosis and 1973 only 4.3 new cases per 10 000 inhabitants) the number of beds required in hospitals could be reduced..

- . In this higher stage education is not only free of charge but all the apprentices receive a remuneration differentiated to the stage of training and work performances.
 - . At present from 10 000 inhabitants 181 are attending studies at a university or higher institute (not including postgraduate students and short-term courses). About 90% of the full-time students are granted scholarships.
- c) Great efforts are made by the socialist state to supply each of the 6.4 millions of private households with an own flat.
- At present for the 6 366 000 private households 6 266 000 flats with more than 17 millions rooms are available. Thus the quota "persons per room" is already slightly lower than one.
 - Rents are kept stable on a low level indicated by the fact that the average share of the rent in the family income does not exceed 4%.

In addition to that many other features of social development influencing the living standard can be mentioned here as full employment since the very beginning of the GDR, old-age pensions for everybody, a guaranteed minimum paid leave of 18 days per year as well as equal rights for men and women and similar achievements.

This development level gained in 1973 is the fruit of many years of enormous efforts of the working people of the G.D.R. But for the years to come there are still more ambitious plans and there is no doubt about that they will be implemented too.

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