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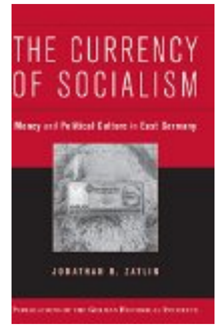

Jonathan R. Zatlin. *The Currency of Socialism: Money and Political Culture in East Germany.* Cambridge: Cambridge University Press, 2007. 377 pp. $80.00, cloth, ISBN 978-0-521-86956-0.

Reviewed by Andrew Evans

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The collapse of socialist planned economies in Europe is a well-known story of inefficiency, poor innovation and spiralling debt. In his intriguing book, Jonathan Zatlin delves into this history in an innovative way by examining the role of money. The Currency of Socialism explores how East German money came to reflect the increasing financial, ideological and moral bankruptcy of the SED regime. By restricting the function of money in the distribution of resources, the SED had hoped to overcome the alienation that characterised capitalist societies, and to centrally plan a path to communism. Instead, the East Germans soon became trapped as “second-class citizens in a capitalist world” (p. 3).

Chapter one locates the source of the GDR’s economic problems in its confusion of money with the market. The ruling SED claimed economic authority through its supposed ability to distinguish between “real” needs and “false” needs. The party identified false needs with commodity fetishism and, in turn, with a capitalist order directed by money. In this sense, the Marxist-Leninist system followed a long socialist tradition of viewing money itself as a source of alienation and inequality, and the GDR’s economic plans therefore restricted the function of money in directing production. However, in failing to develop an alternative system to market relations, and therefore to money as a medium of exchange, socialist states combined their antipathy toward money with a reliance on the same financial mechanisms employed by the capitalist order they had replaced. The capitalist laws of supply and demand were suspended, but not transcended: “Depriving money of its ability to direct the distribution of resources did not free production from the constraints of financial rationality.” (p. 59)

Chapter two discusses how this economic model, which Zatlin describes as a “caricature of capitalism,” (p. 61) became a growing financial liability in the 1970s. The General Secretary, Erich Honecker, embarked on a new “Principal Task” which raised borrowing from the West in return for modern technologies, consumer goods and, he hoped, political stability. The GDR’s persistent willingness to take on debt to the West is explained by the lack of inner-party opposition –

owing not least to Honecker's anti-fascist credentials – as well as by the attractive living standards of neighbouring West Germany and memories of the June 1953 uprising, which both made an austerity drive far too risky. The hopes invested in consumer growth accelerated away from the reality of the GDR's productive capacity, "opened the door to criticism of the real-existing here and now," (p. 68) and exacerbated chronic shortages.

The 1970s and 1980s were characterised by the need to reduce debt while continuing to increase living standards, a duality embodied by the "profligacy" of Honecker and the "parsimony" of Günter Mittag, his Economic Secretary. Mittag's strategy was to run down and "monetarise" parts of the productive economy, an approach described in chapter three as "gambling for resurrection" (p. 105). Honecker's SED on the one hand subordinated economic accountability to his political aims and, on the other, "ruthlessly commodified the planned economy in an attempt to rescue it" (p. 198) by earning Western currency. As Zatlin illustrates in chapter four, this process took ever more extreme forms, even leading the GDR to permit controversial drug tests on its citizens by Western companies. In the long term, the growing importance to the GDR of Western currency undermined the SED's claim to moral superiority and its ability to centrally plan the economy.

The second half of the book tells this story from the point of view of ordinary citizens. Chapter five offers a fascinating examination of the car industry and illustrates the counter-productive effect of the SED's belief that it could distinguish between real and false needs. Since it had not created an alternative to Western consumerism, "the party was content to sell need to East Germans as if it were desire. The result was a dictatorship over needs." (p. 218) This was manifested by the low supply of cars – a product low on the SED's list of priorities – and by bureaucratic regulations governing the sale of second-hand vehicles. In practice, the resulting shortages led to an "inflation of desire" (p. 242) and a burgeoning black market.

In chapter six, Zatlin points out that the SED was itself dependent on a parallel market in order to earn the Western hard currency needed to manage its debts and to absorb consumer demand. The proliferation of Intershops, which supplied luxury goods for hard currency, allowed the regime to exploit chronic shortages in return for Western cash. The hypocrisy of this system, under which the SED simultaneously denounced and promoted Western consumerism, led to considerable social envy and undermined both the purchasing power of GDR currency and its socialist ideology.

Using archival evidence of the GDR's citizens' petition system, Zatlin demonstrates in chapter seven how the widening gap between ideology and practice enabled 1980s citizens to criticise economic policy "by appealing over the head of the party to the socialist ideals to which the SED officially subscribed" (p. 319). The links between GDR ideology, politics and the economy also came to inform the path taken by the reunification process, as Zatlin argues persuasively in his epilogue. The mode of thought engendered by the GDR economy perceived money as embodied labour power and identified the West German Mark with material wealth. This misunderstanding of modern capitalism served in 1990 to accelerate a currency union which quickly crushed the East German economy.

Zatlin's book is exciting and wide-reaching because it skilfully illustrates the interactions between the political, ideological and economic calculations taking place in GDR socialism and vividly illustrates the increasing discord between ideological aims, political strategies and economic practice. It is here that the book implicitly raises questions that it does not attempt to answer. If the socialist systems in Eastern Europe remained to some extent predicated on money and the mechanisms of the market, what was the alternative to this? Was there a possible economic rationale that did not conflict with the SED's political goals, or did its political model inevitably make for a contradictory economic policy? Nevertheless, Zatlin's illustration of the GDR economy is an unusually complete one because it uses money to underscore the links between production and consumption. The party's partial abolition of money created a shortage economy that paradoxically made the SED more dependent on Western money. The consequent diminishing role for Eastern money led to an inflation of consumer demand for Western goods, lifestyle and currency which only worsened the shortages. Zatlin combines an impressive collection of primary sources and compelling case studies to create a highly readable account of this economic downfall.

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