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Economic Reform as Ideology

East Germany's New Economic System

Thomas A. Baylis

In 1963 the ruling party and government of East Germany initiated a set of sweeping economic reforms under the name of the New Economic System (NES). The reforms resembled, with some modifications, the proposals of the Russian economist, Evsei Liberman. Liberman's suggestions had been the stimulus for a now celebrated discussion in the Soviet press in the fall of 1962, but then had apparently been shelved. With the adoption of NES, the East German regime, belying its Stalinist reputation, became the first in East Europe (excluding Yugoslavia) to undertake so substantial a departure from the received principles of a highly bureaucratized "command" economy. Moreover, the reform scheme was coupled with a broad reorientation of the official ideology and a massive effort to mobilize all social groups on its behalf, going far beyond the agitation and propaganda campaigns which customarily accompany important Communist policy innovations.

It is these ideological changes which interest us here. This article will examine the East Germans' explication and utilization of the New Economic System as doctrine, using this as a case study in the evolution of ideology in the phase of "mature Communism." "Mature Communism" —the phrase is Alfred E. Meyer's—is the period in which the initial consolidation of political authority has been completed and the basic apparatus of an advanced industrial order constructed. Both the Soviet Union and the more developed states of Eastern Europe may be said to have entered this phase.[1] Several writers have claimed to see in mature

[1] In addition to the Soviet Union and the DDR (East Germany), I have in mind Czechoslovakia, Poland and probably Hungary. This brief formulation of "mature Communism" is necessarily vague in both its parts. By "initial consolidation" I have in mind the elimination or neutralization of any *organized* rivals to party dominance (e.g., opposition parties, independent trade unions, churches). It does not require the elimination of unorganized disaffection or opposition expressing itself within the party or its affiliated organizations. This process, which normally occupies the first five or so years of a Communist regime's existence, may be said to be complete in all present Communist states. The "basic apparatus of an advanced industrial society"

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Communist states an "erosion" of ideology[2] which, like the putative "end of ideology" in the West, is linked to certain characteristics of a modern social and economic order, such as the diffusion of relative prosperity and the reduction of conflict based on class resentments. In this view the depth and fervor of *belief* in the ideology atrophies and professions of adherence to it tend to become ritualistic, while its actual *content* becomes more elastic and ultimately vacuous. The NES, I will argue, may be viewed as an attempt to prevent such an erosion by renovating ideology in order that it comport with a modern industrial setting.

Scholars have long disputed whether ideology is merely a decorative element in Communist systems, a fig leaf concealing what power relationships would in any case dictate, or whether it does indeed have some limiting, if not controlling, influence on policy. I think that while it is arguable that for some Communists in some periods ideology has in fact served as one guide to action, in established Communist systems its greatest importance has been rather as an instrument for strengthening authority; that is, ideology is meant to provide a basis for societal *solidarity* and for the *legitimacy* of a regime or system. Depending on the nature of the regime in question, the legitimacy audiences to which ideological appeals are addressed will vary. In East Germany we can list four of particular importance: first, the general population; second, the "strategic elites" of the society,[3] the largest and most influential of which outside the party apparatus is presently the technical intelligentsia; third, the Soviet political leadership, which has always watched more or less intently over the shoulders of the leaders of the German Democratic Republic (DDR) and obviously holds an important veto power; and fourth —this ought not to be underestimated—the party elite itself. Self-justification appears to me to be an especially important function of contemporary Communist ideology at a moment when concealed or explicit

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would include an industrial sector sufficiently large that only a minority of the population is engaged in agriculture or lives in rural areas, and a technology sufficiently advanced and diffused to produce a GNP per capita of at least double the world average.

Meyer distinguishes between the "system-building" phase of communism—in the Soviet Union, roughly coterminous with Stalin's rule—and the mature, or "system-management" phase. See Alfred E. Meyer, "Authority in Communist Political Systems," in Lewis J. Edinger, ed. *Political Leadership in Industrialized Societies* (New York, 1967), pp. 84–107. For a longer list of the criteria of an industrialized society, see Edinger's introduction to the same book, pp. 16–17.

[2] See, e.g., Adam B. Ulam, *The Unfinished Revolution* (New York, 1964), ch. 6; Alfred E. Meyer, "The Functions of Ideology in the Soviet Political System," *Soviet Studies,* XVII (January 1966), 273–85.

[3] I am using the term of Suzanne Keller, *Beyond the Ruling Class* (New York, 1963).

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challenges to the party's accustomed "leading role" are proliferating.[4]

There is growing agreement among specialists on the existence in Soviet and Eastern European societies of three trends which underlie just these sorts of challenges, and condition the role and content of ideology. First, it is held that the decisions of the Soviet and other Communist leaderships are becoming increasingly subject to the interplay of conflicting group interests and demands. This "conflict theory" portrays, in effect, the emergence of a kind of elite pluralism which operates through shifting coalitions and which jealously guards against any one man or group's obtaining excessive influence.[5] It is apparent that such a pluralization of political power can invite a like pluralism of ideological interpretation, even in the face of powerful norms demanding unity. Second, in many instances events, and more especially scientific discoveries and economic needs, have severely challenged the traditional dogmatic version of Marxism-Leninism. Certain Soviet and East German scientists, for example, have pressed for a reinterpretation of dialectical materialism in the light of the discoveries of modern physics.[6] The reform proposals of a number of Eastern European economists, including the DDR's Fritz Behrens, have forced a reexamination of the operation of "economic laws" under socialism, particularly the Marxian theory of value. Still more seriously, they have seemed to challenge Leninist organizational doctrine, going to the very questions of the role of the party and the principle of democratic centralism.[7] Third, the ideological *fervor* accompanying the period of revolution and system-building has waned, and

[4] Meyer in "The Functions of Ideology" goes so far as to argue that "self-legitimation" is the *primary* function of Soviet ideology (p. 280).

[5] The "conflict theory" has quickly moved from the status of near-heresy to that of near-conventional wisdom. See the initial discussion, "Conflict and Authority," in *Problems of Communism,* XII (September-October 1963), 27–46, and subsequent issues; Carl Linden, *Khrushchev and the Soviet Leadership 1957–1964* (Baltimore, 1966); H. Gordon Skilling, "Interest Groups and Communist Politics," *World Politics,* XVIII (April 1966), 435–51; Milton Lodge, "Soviet Elite Participatory Attitudes in the Post-Stalin Period," *American Political Science Review,* LXII (September 1968), 827–39; Frederic J. Fleron, Jr., "Toward a Reconceptualization of Political Change in the Soviet Union," *Comparative Politics,* I (January 1969), 228–44. The "conflict theory" perspective is broadly shared by the leading East German specialists. Cf. Peter C. Ludz, *Parteielite im Wandel* (Cologne and Opladen, 1968) and Ernst Richert, *Die DDR-Elite* (Hamburg, 1968).

[6] See Robert Havemann, *Dialektik ohne Dogma?* (Hamburg, 1964); Richard T. DeGeorge, *The New Marxism* (New York, 1968), pp. 116–32; Albert Parry, *The New Class Divided* (New York, 1966), pp. 27–45.

[7] See Fritz Behrens, "Zum Problem der Ausnutzung oekonomische Gesetze in der Uebergangsperiode," *Zur oekonomische Theorie und Politik in der Uebergangsperiode,* 3. Sonderheft, *Wirtschaftswissenschaft* V (1957), pp. 105–40; Herbert S. Levine, "Economics," in George Fischer, ed. *Science and Ideology in Soviet Society* (New York, 1967), pp. 107–38, esp. 131–32.

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open *terror,* once used to enforce ideological conformity, has become passé.[8] In sum, at the very moment that the authoritative center of ideological interpretation, the party leadership, has become plural and conflictual (as well as being challenged externally) and scientific discovery and economic need have thrown received dogma into question, the *instruments* for maintaining ideological enthusiasm and unity have become blunted.

To these elements must be added the several changes in economic and social structure which in detail are specific to mature Communist systems but in broader terms resemble changes in the West. These can be viewed as typical (though not inevitable) concomitants of the development of advanced industrial society. There is space here only to list them briefly and to suggest that they have an important though indirect impact upon ideology; I will not undertake to spell out their precise effects.

1. A heightened affluence and an accompanying orientation among citizens and regimes to the increased production and diffusion of consumer goods.

2. A broad expansion of advanced, and especially technical, education, with the consequent emergence of a large educated elite which does not bear the stigma of belonging to the remnants of the old bourgeoisie.

3. The emergence of a complex social system with numerous strata (e.g., the party and intelligentsia elites, expanded service and white collar groups, a more skilled and differentiated working class, the collectivized peasantry) which is equally remote from both the classic bourgeoisie-proletariat dichotomy and the ideal of the classless society.[9]

4. Relatively broad opportunities for mobility between these strata.

5. A considerable increase of "psychic mobility"[10] toward both the West and the other "socialist" countries, owing to the expansion of the media and of the means and opportunities for travel, the decline of the cold war, and other factors.

[8] See Ulam, ch. 6; also Harold J. Berman, *Justice in the U.S.S.R.* (New York, 1963).

[9] One informed discussion of the stratification system of the contemporary USSR is Vernon V. Aspaturian, "Social Structure and Political Power in the Soviet System," in Henry Albinski and Lawrence Pettit, eds. *European Political Processes* (Boston, 1968), pp. 150–76.

[10] The term is Daniel Lerner's in *The Passing of Traditional Society* (New York, 1958), p. 51.

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Together these elements are likely to be damaging to traditional ideological precepts and to open channels for alternative formulations. In part they lie behind the three trends we have noted, which do indeed suggest the potential for ideological erosion. But given the critical legitimizing function of ideology, it is to be expected that the party elite will seek to resist its decline. The course which is likely to suggest itself most readily is the adaptation of the ideology to those forces of social change which threaten it. One way in which this is attempted, I suggest, is by *the incorporation into the ideology of a program of economic reform* or, more broadly, of societal rationalization and modernization. As will become clear, however, the creation of ideology out of rationalizing reform is apt to have unintended consequences for the pattern of authority which it is expected to legitimate, as seen in the responses of those to whom it is addressed. An ideology in the process of change is not likely to remain the docile tool of its creators; it affords too many opportunities for affected groups to assert their claims and expand their freedom of action through its interpretation. We shall repeatedly observe this dialectic of the party elite's intent and the actual reception of the NES ideology in the account which follows.

I. The Content and Purposes of Reform

The NES reforms themselves may be described briefly; their main elements have since become familiar through their adoption elsewhere in the East European bloc.[11] First, the NES introduced a simplified system of interlocking "levers," market-like indicators for evaluating the performance of economic units, thereby stimulating balanced as well as rapid overall development. The most important of these was to be the *profit* of the individual factories and the new "socialist concerns" (VVBs), large combines responsible for all firms in a particular branch of industry. In order to make profit a reliable indicator, a comprehensive reform of prices was required; this was undertaken in several stages. Second, a massive effort to stimulate technological modernization and develop forms of technological education for virtually all groups and levels of society was undertaken. Third, the entire structure of economic decision making and control, both in the party and the government, was reorganized so as to devolve responsibilities on lower-ranking officials, most notably the

[11] The basic East German document setting forth the NES reforms is the *Richtlinien fuer das neue oekonomische System der Planung und Leitung der Volkswirtschaft* Decision of Council of Ministers of 11 June 1963 (Berlin, 1963). A recent Western account is Gert Leptin, "Das 'Neue oekonomische System' Mitteldeutschlands," in Karl C. Thalheim and Hans-Hermann Hochmann, *Wirtschaftsreformen in Osteuropa* (Cologne, 1968).

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factory managers and VVB general directors, and to shift control functions from distant or untutored apparatchiks to party economic specialists closer to the managers in terms both of outlook and of bureaucratic distance. It was concerning the question of "decentralization" that the greatest ambiguity over the party's intentions existed, and that the greatest difficulties were to arise.

The utilization of this important set of reforms to revise and redirect the official ideology was intended to strengthen the authority of the East German regime at a critical moment in its history by broadening its popularity and particularly by enlisting the allegiance of a rising elite of technical specialists who might otherwise have challenged that authority.[12] In more fundamental terms, it was an effort to adapt and broaden the Marxist-Leninist doctrine in order to make it seem more appropriate to the modern industrial society evolving in the DDR. I will argue, however, that the development of the NES as ideology brought with it dangers not fully anticipated by the party bureaucratic elite, residing in its ambiguous implications for the structure of political rule itself. And I will try to show how the regime in consequence sought to rewrite and limit the ideology of economic reform in an effort to save it as an instrument of legitimacy while stripping it of its potential for producing unwanted changes in the organization of political power.

Let us recall the circumstances in which the New Economic System was first discussed and adopted. In 1961 the ruling Socialist Unity party (SED) found itself required to meet simultaneously severe crises of authority and of ideology (of a type which has periodically recurred since its founding) by the drastic measure of walling off its population from the West. The building of the Berlin wall followed a series of ill-conceived economic campaigns undertaken by the political leadership over the opposition of the economic specialists: the forced collectivization of the half of East German agriculture remaining in private hands, a drive to overtake the Federal Republic in per capita consumption of all important goods and commodities, and an attempt at partial economic autarky to free the DDR from any dependence on Western trade. The result was to compound economic difficulties: total growth slowed; agricultural production dropped; investment fell drastically behind plan figures; and the DDR suffered from serious economic imbalances. Near-stagnation of the economy, disaffection among the population owing to the construction of the wall and the harsh internal restrictions imposed along with it, and the undoubted dissatisfaction of the Soviet Union over both amounted, in combination, to a dangerous crisis of legitimacy for the SED regime.

We must understand the introduction of the economic reform program

[12] See Baylis, "Communist Elites and Industrial Society: The Technical Intelligentsia in East German Politics," (Ph.D. diss., Berkeley, 1968).

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and its ideology as a response to this crisis. The groundwork was laid in mid-1962 with Walter Ulbricht's surprising invitation to DDR economists and planners to read and join the vigorous debates then in progress in the Soviet Union over the Liberman reform proposals,[13] and with the elevation of Erich Apel to the Council of Ministers and of Guenter Mittag to the Central Committee Secretariat. Apel and Mittag were quickly to become the DDR's most prominent technocrats and architects of reform along Liberman-like lines. By the end of 1962 Apel had replaced an apparatchik as head of the Planning Commission and important elements of the coming reforms had been published in the draft version of the party program, even while the Liberman proposals had been temporarily laid aside in the Soviet Union. The details of the reforms were developed in the ensuing months by a working group of economists and "practitioners," led by Apel and Mittag. In June 1963 the government published a lengthy set of directives putting NES in relatively definitive form.

It is important to stress that from the beginning Ulbricht placed himself strongly on the side of economic reform. In the subsequent internal struggle between technicians and unyielding apparatchiki he clearly favored the former.[14] In effect, he committed the prestige and authority of the SED to the success of the NES, and he made it the focal point of party activity and organization. It is thus not surprising that with the organizational and technical elaboration of the New Economic System came the gradual development of an ideological justification as well.

II. The Ideology of NES

Until very recently the DDR has quite justifiably stressed its ideological fidelity to the Soviet Union, but never its ideological originality. It is striking, then, that after its adoption the New Economic System was proudly claimed as "an important contribution of the German Socialist Unity party to Marxist-Leninist theory."[15] Perhaps the most authoritative ideological formulation was provided by Apel and Mittag in a book published in 1964.[16] They began with the assertion that the "technical revolution" must indeed be regarded as a genuine revolution based upon

[13] Walter Ulbricht, "Die Vorbereitung des VI. Parteitages des Sozialistischen Einheitspartei Deutschlands," in *Dem VI. Parteitag entgegen* (Berlin, 1962), p. 38.

[14] This is the view of Carola Stern, among others, in her *Ulbricht: eine politische Biographie* (Cologne, 1964), p. 263.

[15] This is the subtitle of a book by Wolfgang Berger and Otto Reinhold, *Zu den wissenschaftlichen Grundlagen des neuen oekonomischen Systems der Planung und Leitung* (Berlin, 1966). See also Uwe-Jens Heuer, *Demokratie und Recht im neuen oekonomischen System der Planung und Leitung der Volkswirtschaft* (Berlin, 1965).

[16] Erich Apel and Guenter Mittag, *Wissenschaftliche Fuehrungstaetigkeit: Neue Rolle der VVB* (Berlin, 1964).

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a *qualitative* transformation of the forces of production. The New Economic System is the means by which the development of these forces and the welfare of the people can best be served during the construction of socialism. In a socialist society as foreseen by Marx, surmounting the contradiction between the social character of production and the private appropriation of its output eliminates the major obstacle to the full development of the new productive forces; but this development also demands the emergence of unified, scientific, and *economically rational* leadership of production and research. The movement of technology from mechanization to automation and the introduction of electronic data machines are important elements of the revolution. Through them man receives "a qualitatively new position in the work process; he is freed, not only from heavy manual labor, but also from the routine mental activity tied to the continual control and direction of production, and new horizons in creative activity open up."[17] The determination of the SED, therefore, to push forward the technical revolution is no arbitrary, "subjective" decision, but reflects the "objective economic lawfulness of the steady further development of the productive forces."[18]

On the critical question of the decentralization of authority, Apel and Mittag are less direct, but the ideological importance they give to it is clear in their discussion of "scientific leadership." The focal point of this discussion is the new role of the general directors of the VVBs, who are called the "key figures" of NES. They repeat Ulbricht's call for economic officials distinguished by their "enthusiasm for responsibility, creativity, and boldness," and urge the general directors to make decisions themselves, rather than shoving them upstairs as before.[19] Other writings on NES urge individual factory managers to show more creative initiative and take more responsibility, and Mittag echoes a common theme in remarking that "an oversize administrative apparatus and a kind of leadership based predominantly on orders and decrees in questions of detail is no longer necessary."[20] The enthronement of the "socialist leadership personality" on the middle levels as a role model, joined to the numerous general attacks on "bureaucratism" and the more specific ones on the interference of the National Economic Council (then the central administrative body above the VVBs), was perhaps the most appealing element of NES to the young technical intelligentsia. It seemed to promise a

[17] Ibid., p. 12.

[18] Ibid., p. 13.

[19] Ibid., pp. 23–24; the Ulbricht quote is from his speech at the Fifth Central Committee Plenum, *Die Durchfuehrung der oekonomischen Politik im Planjahr 1964* (Berlin, 1964), pp. 31–32.

[20] Guenter Mittag, "Wir brauchen jetzt ein durchdachtes System der oekonomischen Leitung," *Die Wirtschaft* (28 January 1963), pp. 6–7.

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significant decentralization of authority, although that term was scrupulously avoided.

Decentralization, however, was treated as the core of NES in a remarkable book by the legal theorist Uwe-Jens Heuer.[21] Following recent East bloc fashion, Heuer analyzes the economy of the DDR as a cybernetic system, and focuses upon the necessity of permitting the "self-organization" of its subsystems, defined as their ability to change not only their behavior but their very structure in response to signals from the environment. Accordingly, he argues for a broad measure of decisional autonomy—inscribed in and protected by law—for the factories and VVBs.[22] He presents such a reform as a large and meaningful step toward genuine "socialist democracy," which would be justified by its intrinsic merit *even if it did not contribute to economic efficiency*. Heuer's book was not, like Apel and Mittag's, authoritative ideology; it was rather what has been called "institutionalized revisionism"—an ideological trial balloon permitted by the regime as a basis for discussion and possible future authoritative adoption.[23] That so ambitious an ideological elaboration of NES, implying fundamental changes in the organization of political power, could be permitted at all in the conservative DDR is a measure of the pressures felt for ideological rejuvenation.

The range of the NES's impact was further extended by the fact that a reorganization of the *party* as well as of the state apparatus according to the "production principle,"[24] accompanied by an implied redefinition of the party's role, was felt to be necessary to the success of the reforms. It was insisted that in the present stage of the DDR's development the critical problem of socialism was an economic one, which had to be solved by economic means. The promotion of economic rationalization was therefore seen as a primary "political" task of the party. Indeed, Mittag's writings during this period characteristically treat the party as hardly more than a propagandist and a mobilizer for the NES. "The class struggle" in the DDR, he observed in 1963, "is carried out today above all in the field of production."[25]

It is not surprising that the ideology of the NES should prove so attractive a source of justification to a regime which had earlier enjoyed so little popularity, whether that ideology was expressed in the more de-

[21] See Heuer, *Demokratie und Recht.*

[22] Heuer, pp. 98–114, 162–81, and *passim.*

[23] Ludz, pp. 52–54, 294 ff.

[24] That is, along functional lines rather than strictly geographical subdivisions ("territorial principle"). The distinction follows a similar one made in the Soviet Union.

[25] Guenter Mittag, *Fragen der Parteiarbeit nach dem Produktionsprinzip in Industrie und Bauwesen* (Berlin, 1963), p. 95.

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tailed rationalization of Apel and Mittag or, as it more often was, through a series of endlessly repeated slogans: "technical revolution," "thinking economically," "scientific leadership," "economic levers," "what profits the society must also profit the individual factory and the workers in it." The New Economic System as ideology had about it the appeal of the scientific and the modern, and the promise of material well-being was surely a more effective theme than ritualistic phrases about the class struggle and the imperialist enemy; yet it was at least nominally integrated into Marxism-Leninism. The technical intelligentsia, which had shown little enthusiasm for the traditional ideology and which prior to 1961 had departed to the West in dismaying numbers, was given with NES a genuine stake in the success of the regime. It is also quite clear that the ideological mobilization accompanying the NES was an extremely useful instrument for overcoming the inertia and the vested interests of a variety of functionaries threatened by the reforms. The very breadth of the new ideology's appeal, however, meant that diverse elements were willing to garb themselves in its slogans, and the consequence was a serious blurring of its meaning and a confusion of politics and economics.

Party members were thus urged to press the cause of economic rationalization as part of their political duties, while failures in economic performance were laid to the "ideological" omissions of state and factory functionaries. Party officials were pressed to "qualify" themselves in economic or technical subjects on pain of losing their positions; economic functionaries were urged almost as frequently, though with less success, to exert "political" leadership and to study the Marxian classics. Ulbricht sought to create a new type of leader, both economically skilled and politically faithful—a "red expert," in Maoist terms—and thereby to prevent the development of a self-conscious technocratic elite that might choose to rebel against, or to ignore, the inherited ideology and its guardians, the apparatchiki. In the same way, the ideologization of NES and the blurring of politics and economics were probably also meant to prevent any emergence of conflicting policy priorities along political/economic lines. Whatever the intent, however, the ambiguity thus produced did not eliminate rival groups, but permitted them to mask diverse purposes under the same slogans.[26]

In particular, it permitted the technicians to press economic reforms in political guises. The new emphasis of party dogma on the economic slogans of innovation, rationalization, cybernation, managerial responsi-

[26] The question of the meaning of the "primacy of politics" over economics, asserted by Lenin in a 1921 article, has come up frequently in recent DDR discussions. Heuer (pp. 151–55) treats it as simply implying that politics cannot be separated from economics, and cites another Lenin remark that the "nature of Soviet power" is that "political tasks take a subordinate place to economic tasks."

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bility, and the like allowed technical specialists to pursue their professional interests in the name of political enthusiasm. Also, the technical education given to many party functionaries made them more likely to be allies understanding of the problems and needs of the economic experts than the untrained and suspicious dogmatists of an earlier day. Moreover, the organizational reforms of the NES, particularly those vesting principal party control over economic institutions in the specialists of the "Bureaus of Industry and Construction" (which were created both within the Politburo and at the district and local levels of party leadership), permitted the technical specialists more operational independence than they had ever enjoyed before.

III. Political Consequences

Reforms in any directively planned economy are rarely without political implications, although these need not invariably be in a "liberalizing" direction.[27] Where, however, reforms include the decentralization of economic decision making and the creation of opportunities for managerial innovation and experimentation, they must carry with them some slackening of central party control; what are introduced as measures of administrative convenience may harden into a permanent reallocation of political power. When substantive reforms are legitimated by a recasting of the official ideology, such a reallocation is further encouraged. Moreover, the conscious elevation of the status of technical specialists as "key figures" in the transformation of the social order lends them potential power and invites them to challenge restrictions traditionally placed on them. In 1956 Fritz Behrens had eagerly acknowledged the political consequences of his own proposals for economic reform. He argued that decentralization of economic decisions, the adherence to objective economic "laws," and the encouragement of genuine worker initiative would simultaneously require the partial dismantling of central state direction, which he saw as the begining of Marx's "withering away of the state."[28] Similarly, in his 1964 book, Heuer warned against the belief "that the New Economic System can be implemented only in planning, technical,

[27] In the discussion which follows I will not always distinguish sharply between the effects of the reforms themselves and those of the ideology in which they were embedded. The reason is simply that often the two cannot be distinguished: the actual reforms and their reception conditioned the ideology, while the ideology equally conditioned the content of the reforms and the responses to them. Undoubtedly the reforms would have produced some dislocating political effects even without their ideological accompaniment, but it is almost certain that they would have been far less serious.

[28] Behrens, pp. 112, 117.

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and economic terms, without regarding the political and social consequences."[29]

Ulbricht and those around him were not unaware of these dangers, and sought to prevent the new reforms from undermining party control. At the outset they sought to make the limitations upon the NES clear by explicitly disassociating it from Behrens' proposals:

> We seek therefore precisely the opposite of what certain revisionist elements once wanted. They would have resulted in the weakening and undermining of socialist state authority through a questionable 'self-administration' of the economy and the factory. Our system of planning and leadership . . . has been shaped so that economic laws can be utilized better than before in the period of the comprehensive construction of socialism. More exact leadership comes from above without petty tutelage with the simultaneous unfolding of the democratic cooperation of the workers.[30]

It was argued that the NES strengthened the principle of democratic centralism by freeing the leading organs from the burden of detail and permitting them to concentrate on fundamental policy matters; economic "automatism" was rejected.

Nevertheless, the first months of the New Economic System brought with them a number of problems, most notably a degree of autonomy on the part of the Bureaus of Industry and Construction and an "economization" of the work of factory party cells that the party bureaucratic elite felt obliged to counter. It did so by strengthening party control mechanisms and giving new emphasis to "ideological" work in the traditional sense.[31] In early 1964 countervailing sectors for party organization and for ideology were created within the Bureaus, a central Commission for Party and Organization Questions was erected, and the Ideological Commission was strengthened. At a Central Committee meeting in December, Kurt Hager, Secretary for Ideology, complained that while in the past economic questions had been neglected in favor of more general political propaganda, now ideological work had been pushed partially into the background.[32] Ulbricht agreed and noted that "our party is not an 'eco-

[29] Heuer, p. 187. One might also cite the (fateful) realization of the Czech economic reformers at the beginning of 1968 that their "New Economic Model" could not be effectively implemented without basic political reforms which would loosen the grip of conservative party bureaucrats.

[30] Walter Ulbricht, *Das Programm des Sozialismus und die geschichtliche Aufgabe der Sozialistischen Einheitspartei Deutschlands,* speech at Sixth Party Congress (Berlin, 1963), p. 126.

[31] See the excellent discussion in Ludz, pp. 141–45.

[32] Kurt Hager, *Bericht des Politbueros an die 7. Tagung des Zentralkomitees der SED* (Berlin, 1964), pp. 20–21.

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nomic party' in the narrow sense."[33] Erich Honecker, the presumptive heir to Ulbricht, charged that meetings of factory party cells "are in some cases being conducted like production meetings," and an article pursuing this theme demanded that such meetings turn their attention from detailed questions of plan fulfillment and technological improvements to a broader view integrating the performance of economic tasks with "the clarification of the basic questions of our party and government policy."[34] These measures obviously proved insufficient, for in the course of 1966 the Bureaus were quietly dissolved, and the very term "production principle" was subsequently stricken from the party statute.

Two additional unwanted by-products of the NES were dealt with at the Eleventh Plenum in December 1965, held just after the dramatic suicide of Erich Apel. One was "egoistic" behavior by some VVBs and factories, which allegedly utilized the new economic mechanisms to further their narrowly conceived self-interest. The SED sought to meet the problem by better integrating the planning process and restricting certain of the VVBs' financial prerogatives. The second by-product was the desire of some economic functionaries to orient the DDR's trade more to the West, based on the economic argument that it would be better able to supply the requirements of the NES reforms, but obviously fraught with political implications as well.[35] The imposition of a five-year Soviet-DDR trade agreement and the suicide of Apel, apparently in protest, effectively put an end to such proposals.[36]

IV. Retrenchment

Yet, in spite of its unwanted ideological and practical consequences, the New Economic System was not abandoned. Its growing success in stimulating the economy and its usefulness as an instrument of legitimacy, among both the population at large and the technical intelligentsia, demanded that it be retained in some form. At the same time any threat it might present to the supremacy of central party control had to be excised.

[33] Walter Ulbricht, *Antwort auf aktuelle politische und oekonomische Fragen* (Berlin, 1965), pp. 21, 30.

[34] Gerhard Schulz, "Gedanken zur Rolle der Parteiversammlungen," *Einheit,* XX (2/1965), 11–12.

[35] Again, the parallel to Czechoslovakia suggests itself.

[36] Apel's suicide came on the eve of the signing of the trade pact, which tied over one-half of the DDR's trade to the Soviet Union, reportedly under distinctly disadvantageous terms. See Rene Bayer, "Der Tod des Technokraten," *Die Zeit,* N. American edition (14 December 1965), p. 3. While many of the rumors surrounding his death are not credible, the attacks upon the Planning Commission at the Eleventh Plenum and the extravagant justification given for the pact lend credence to the assumption that its signing provided the immediate impetus for his act.

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The solution was to modify the basic conception underlying economic reform in such a way as to reinforce political centralization rather than the reverse; and simultaneously to revise and hollow out the ideological meaning of the term "New Economic System" in such a manner as to make it meaningless as a platform for the economic rationalizers.

Ulbricht's speech at the Seventh Party Congress (1967)[37] laid down the outlines of this strategy quite clearly. The concept "New Economic System" was submerged in the expression "Developed Social System of Socialism," the "core" of which was said to be the "Economic System of Socialism (ESS)." The Developed Social System is characterized by the interdependence of all its parts, including the economic system, the institutions of "socialist democracy," the educational system, socialist morality, the standard of living, and the system of national defense. As a result, the social system must be *consciously structured* to take account of these interdependencies; so must each subsystem. Therefore, the emphasis in the "economic system of socialism" is no longer upon the decentralization of authority, the encouragement of initiative on the lower levels, and the operational flexibility necessary to permit the economy to respond to "economic levers"; rather it is upon the "rational structuring" and especially the "scientific planning" of the economy. This theme was by no means entirely new; it built upon selected arguments that had already been present in some interpretations of NES, but it now claimed them to be the essence of the reforms. The term "New Economic System" was now applied to a broader range of phenomena, including social insurance and cultural policy, apparently as a loose synonym for the introduction of efficiency criteria. "New Economic System" thus increasingly became an "empty formula,"[38] and shortly fell into complete disuse.

Such a verbal transformation did not by itself solve the practical question of how much centralization or decentralization was indeed to be permitted. Regime pronouncements revealed a decided uncertainty on this question, perhaps reflecting internal disagreement. Ulbricht's own formulation sought to bridge the gap dialectically: "Central state planning and direction of the basic questions of the social process as a whole is to be organically tied to the self-responsible planning and directing activity of socialist goods-producers on the one hand, and to the self-

[37] Walter Ulbricht, *Die gesellschaftliche Entwicklung in der Deutschen Demokratischen Republik bis zur Vollendung des Sozialismus* (Berlin, 1967).

[38] This term (*Leerformel*), borrowed from Ernst Topitsch, is used by Ludz to describe the process by which Communist ideological expressions are progressively expanded in applicability and simultaneously emptied of substance. See Peter Christian Ludz, "Entwurf einer soziologischen Theorie totalitaer verfasster Gesellschaft," in Ludz, ed. *Studien und Materialien zur Soziologie der DDR* (Cologne and Opladen, 1964), pp. 34 ff. See also Meyer, "The Functions of Ideology," pp. 276–77.

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responsible regulation of societal life through the local organs of state authority on the other hand."[39] Characteristically, this ambiguous formula was repeatedly quoted by DDR writers in 1968 and 1969 as the agitational pendulum swung still further toward an emphasis on central control and state and party authority.

The emasculation of the NES ideology was accelerated particularly in response to what the DDR leadership viewed as the cautionary example of Czechoslovakia. It is hard to avoid the conclusion that the frightened and intense hostility with which the regime reacted to the Czech experiments was the product of the sudden perception that the DDR's own reforms might contain within them precisely the same threat to party authority they saw emerging in Prague. Party spokesmen hastened to draw a sharp distinction between the DDR's economic system and the Czech "socialist market economy"; the Czech schemes and their authors were denounced with an atavistic fervor and with arguments reminiscent of the Stalin era; some of the bolder DDR thinkers, including Behrens and Heuer, were charged with revisionism and with giving aid and comfort to imperialists.[40]

Among the leaders of this dismal assault was Guenter Mittag; whether out of conviction or opportunism is difficult to say.[41] In a February speech he disparaged "twaddle about self-administration" or "decentralization" and praised the "socialist planned economy" carried out "according to the principle of democratic centralism by the socialist state authority."[42] This has continued to be the theme of official pronouncements on

[39] Ulbricht, *Die gesellschaftliche Entwicklung,* p. 130.

[40] On Heuer and Behrens, see the perceptive article by Rudolf Schwarzenbach, "Zentrale staatliche Leitung und Eigenverantwortung im Gesellschaftssystem der DDR," *Deutschland Archiv,* II (February 1969), 144–46. Mittag launched a lengthy and bitter attack against Guenther Kohlmey, an economist also implicated in the 1957 Behrens controversy, for slighting the role of the party in his writings and using concepts allegedly borrowed from West German economists. See "Meisterung der Oekonomie ist fuer uns Klassenkampf," *Neues Deutschland* (27 October 1968), p. 4.

[41] Because of Mittag's earlier reputation as an innovative technocrat, his role in the creation of the NES, and his position as a full member of the Politburo, his recent statements have occasioned great disappointment among West German observers. Yet, unlike Apel, he had been an SED member since his youth and first came to prominence as a critic of the "managerialists" purged from the party leadership in 1958. He has spent much of his career in the Central Committee apparatus. Moreover, the motivations of Communist officials can only rarely be discerned from their public statements. It is conceivable that Mittag's harsh statements have a defensive purpose at a time when economic reformers are undoubtedly being looked upon with suspicion.

[42] See Kurt Erdmann, "Neue Wirtschaftsmassnahmen ab 1. January 1968," *Deutschland Archiv,* I (May 1968), 206–7. On similar lines see Hans Luft, Harry Nick, and Gerhard Schulz, "Sozialistische Planwirtschaft—Lebensgrundlage der sozialistischen Gesellschaft," *Einheit,* XXIII (6/1968), 692–704.

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the question: *Selbstverwaltung* ("self-administration") is condemned as bourgeois and linked to Western attempts at ideological diversion; *Eigenverantwortung* ("self-responsibility")—always subordinated to "scientific socialist planning and leadership"—is praised.[43] Symbolically, in the revised edition of Ulbricht's collected speeches on the economic reforms, a section on "A Certain Self-Regulation on the Basis of the Plan" has been omitted.[44]

The tone of postinvasion ideological writings strongly suggests a reversion to the style prevalent before the New Economic System, and to a defensive militancy which has always been most pronounced in the DDR in periods of authority crisis. Even during the NES period the extravagant hostility directed against the external, capitalist world, particularly the Federal Republic, had not diminished, but suggestions that Western imperialism posed a serious *internal* threat had. Now they were resurrected, together with calls for heightened "class vigilance" and "determined ideological struggle,"[45] and the insistence that in the present period an *expansion* and *strengthening* of state power and party intervention were required, not the reverse.[46] Stalin's notorious doctrine that the dictatorship of the proletariat would have to be made continually stronger until the moment of its "withering away" is recalled.

What appears to remain of the ideology of NES is a cult of technological change and efficiency stripped of any "liberalizing" implications.[47] It has been frequently pointed out that modern techniques of economic analysis, cybernation, and the computer are highly ambiguous in their organizational implications, and may be turned at least as readily to the justification of a high order of central planning and control as the re-

[43] Walter Ulbricht, "Die Rolle des sozialistischen Staates bei der Gestaltung des entwickelten gesellschaftlichen Systems des Sozialismus," *Neues Deutschland* (6 October 1968), reprinted in part in *Deutschland Archiv,* I (November 1968), 847–57. A similar departure from an earlier emphasis on the autonomy of individual enterprises has been noted in the Soviet Union. See Gregory Grossman, "A Comment," *Survey* (Winter/Spring 1969), 167.

[44] Kurt Erdmann, "Das Ende des neuen oekonomischen Systems," *Deutschland Archiv,* I (December 1968), 999.

[45] Mittag, "Meisterung," pp. 4–5.

[46] Ulbricht, "Die Rolle," pp. 847–49; Gerhard Schuerer, "Die Rolle des Staates auf oekonomischem Gebiet," *Die Wirtschaft* (22 May 1969), pp. 8–10; Georg Ebert, Gerhard Koch, Fred Mathe, Harry Mielke, "Theoretische Grundfragen der Fuehrungsrolle der marxistisch-leninistische Partei in der sozialistischen Planwirtschaft," *Einheit,* XXIV (2/1969), 131–43.

[47] See Ernst Richert, "Trend zur Entsachlichung in der SED-Fuehrung?" *Deutschland Archiv,* II (May 1969), 484–92. I disagree with Richert's assertion (p. 491), however, that this does not represent a significant departure from the NES as it was originally presented.

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verse.[48] But with the transformation of the NES to the ESS—the dropping of the "new" is highly significant—much of the initial promise of the reforms and most of the hopes they aroused for parallel changes in the social and political order have disappeared. The present agitational emphases of the regime indicate that it has acknowledged that the usefulness of economic reform as ideology is at an end. As yet, however, it has found little apart from the sterile slogans of earlier years to replace it.[49]

V. Conclusion

Let me recapitulate. Faced with a crisis of their regime's authority, under undoubted pressures from the Russians, and influenced by the arguments and demands of the DDR's leading technical officials, Ulbricht and those around him committed themselves in 1963 to a set of sweeping economic reforms. They accompanied these reforms with a major broadening and reorientation of the official ideology, meant to incorporate in it the reforms themselves and the promise of change and "modernity" they implied. They hoped in this way to accommodate the ideology to the changing social and economic reality of the DDR and thus to reduce pressures from within and without while expanding the regime's authority and popularity. These intentions were largely fulfilled, but at the price of introducing a dangerous ambiguity into the ideology, particularly affecting the leadership role of the central party bureaucrats. The "technocratic," decentralist interpretation of the reform ideology posed so serious a threat to party hegemony in the eyes of Ulbricht and his entourage that they felt obliged to modify and limit the initial conception substantially in order to protect that hegemony. But in doing so they greatly diminished the usefulness of the reform ideology as an instrument of legitimacy.

If the assumptions behind the argument I have made are correct, however, the social and economic compulsions that produced this remarkable ideological innovation have not disappeared. The received tenets of Marxism-Leninism-Stalinism are not likely to become any more appropriate to the changing pattern of authority, social structure, and economic requirements in the Eastern bloc than they have been before. In

[48] See, e.g., Zbigniew Brzezinski and Samuel P. Huntington, *Political Power: USA/USSR* (New York, 1964), pp. 423–24; Peter Christian Ludz, "Politische Aspekte der kybernetischen Systemtheorie in der DDR," *Deutschland Archiv,* I (April 1968), 1–10.

[49] One theme receiving increasing attention at present, however, is the development of a "socialist view of man" (*sozialistisches Menschenbild*) and the "socialist human community" (*sozialistische Menschengemeinschaft*).

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this connection it might be useful to compare the ideological innovations culminating in the promulgation of the Czech Action program in April 1968[50] with those surrounding the NES, for while the Czech reforms were much more fundamental and important (and to that extent dangerous for the orthodoxy), the same sorts of impulses underlay both to a startling degree.

Both sets of reforms were undertaken with the purpose of enhancing the popularity (and thus the legitimacy) of the Communist leadership. Both reflected in some degree a shift in the configuration of power in the party leadership (although, of course, a much greater one in the Czech case). Both appeared in response to economic difficulties and to internal crises of authority. Both were a product of a combination of conscious adaptation on the part of some members of the party "old guard" and the increasing influence of the demands of newer and younger elements. Both could be viewed as de facto experiments in institutionalized revisionism, although neither leadership was willing to admit this was the case. Both sets of party leaders anticipated the possible erosive effects of the reforms on central party control and explicitly sought to limit those effects, but were not entirely successful in doing so. In both cases, the reforms were "carried further" than was initially intended. Finally, both ended with an apparent return to orthodoxy, a return which did not, however, abandon the entire *content* of the reform programs.[51]

The most important difference between the two was, of course, the explicitly political content of the Czech reforms, while the political implications of the NES were—with the exceptions noted—concealed or ignored. Both programs, however, undertook to modify the traditional version of the ideology and widen its acceptability while protecting the authority of the party. To do that the two parties found themselves obliged to broaden, and thereby to *increase the ambiguity,* of the ideology. That ambiguity, and the very fact of its officially sanctioned revision, created space for undesired interpretations and finally for what was perceived as a challenge to party authority.

Ideology may be either a promise for the future or a justification for the present—in Karl Mannheim's terms, "utopia" or "ideology" in his narrower sense. In practice most ideologies endeavor to be both. But Communist ideology has suffered particularly acutely in its transformation from a revolutionary to a justificatory instrument. It suffers, and "erodes," because in its received form it is of declining relevance to the

[50] Reprinted in *Czechoslovakia's Blueprint for Freedom* (Washington, 1968), pp. 89–178.

[51] Recent events have unfortunately narrowed the applicability of the final phrase to Czechoslovakia.

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developing social systems of contemporary Eastern Europe. Yet ideology is too important as a tool of legitimacy to be allowed to "end"; I suggest that we shall see other efforts at official ideological revision in Communist polities along lines analogous to those of the NES and the Action Program.[52] In that sense the utilization of economic reform as ideology in East Germany may be viewed as a prototype in the larger, continuing process of political change in Eastern Europe.

[52] Western parallels also invite themselves, with the important difference that, because of the nonauthoritative character of ideology, revision tends to be more pluralistic and informal, and thus less noticeable. But the development of doctrines of interventionist liberalism (e.g., John K. Galbraith) and technocratic socialism (e.g., Jean-Jacques Servan-Schreiber) can be seen as a delayed response to the patent inappropriateness of much of the traditional body of Western ideology to contemporary Western societies.

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