

The Currency of Socialism: Money and Political Culture in East Germany. By Jonathan R. Zatlin. Washington, D.C.: German Historical Institute and Cambridge University Press, 2007. Pp. xx+377. \$75.00 , cloth.

Jonathan Zatlin, assistant professor at Boston University, has assembled many remarkable insights into the history and collapse of the German Democratic Republic. Based on archives, interviews, and an extensive secondary literature, this book is excellently researched and illustrated, and highly readable.

The currency of socialism was the East German Mark (Ostmark), and Zatlin uses the history of money and exchange in East Germany to understand the rise and fall of the German Democratic Republic. He argues that the East German leaders, gripped by mistaken ideas, acted so as to undermine their own currency and ultimately socialism itself.

The book is organised in two parts, "Production" and "Consumption." It starts by reviewing socialist attitudes to money. According to Zatlin a long line of European socialists regarded money as an instrument of both alienation and exploitation. The Marxist-Leninist communist parties inherited this tradition. They saw monetary relations as transitional at best, and they undervalued the credibility of money as an asset and in transactions. Discussing the GDR between 1950 and the 1970s, Zatlin points out that the East German leaders' planning directives contradicted price signals. They tolerated endemic shortages that undermined money's purchasing power. To ameliorate the same shortages they introduced parallel markets based on the West German D-Mark. Since not all had access to D-Marks, this "resulted not in greater social equality but in the disappearance of accountability for the social inequality that the [party] created" (p. 60).

The next three chapters follow the economic history of the DDR through the 1970s and 1980s. Chapter 2 argues that increasing East German involvement in East-West trade led to a rising hard-currency debt. Zatlin describes the response as a "confusion of means and ends" (p. 102): getting the means (money) took priority over the end (building a good society).

Chapter 3 details the response to rising indebtedness. To service the debt, domestic uses of resources were curtailed. Which uses should be sacrificed? The need to invest in building socialism pointed to cutbacks in consumption. With an extensive security apparatus and the backing of the Red Army the East German leaders appeared to have the means to impose this on the people. In reality, however, they were haunted by a perceived revolution constraint. This constraint was formed by the precedent of the 1953 Berlin workers' uprising and the persistently porous frontier to the west. As a result they protected living standards, and paid for the export drive by running down the productive economy, a strategy that Zatlin likens to "gambling for resurrection" (p. 105). In this sense East Germany relied increasingly on "capitalist money, capitalist methods, and even capitalist states to stave off bankruptcy" (p. 147).

The "ruthless monetization" (p. 198) of the GDR economy is described in Chapter 4. Socialism was commodified in order to save it. Excess demand in the market denominated in Ostmarks was soaked up by parallel markets where goods and services were exchanged for D-Marks.

The second part of the book looks at consumption and consumerism as a strategy for depoliticising discontent. Chapter 5 provides a captivating case study: the automobile. In June 1989, the Stasi reported, “many citizens view the solution of the automobile problem as a measure of the success of the GDR’s economic policies” (p. 203). The problem was that millions of East Germans wanted to own a BMW. All that most could hope for was years on a waiting list for a Trabant. Failed industrial policies “produced shortages that led to an inflation of desire.” As a result car ownership became a marker of social status. In public the party denounced the desire for a BMW as a “false” need stimulated by capitalism. In secret, it exchanged automobiles for loyalty (pp. 238-42).

Chapter 6 narrates the attempt to soak up excess consumer demand via hard-currency stores. This strategy differentiated people by their unequal access to hard currency, encouraged illegal trades to acquire it, and encouraged it increasingly to displace the Ostmark (p. 284).

Chapter 7 provides fascinating evidence on the system that encouraged individual citizens to petition the authorities for the redress of wrongs. This system, intended to atomise and control collective discontent, proved to be a focus for economic and consumer grievances. By “appealing over the head of the party to the socialist ideas to which [it] officially subscribed,” citizens increasingly subverted it (p. 319).

In an epilogue Zatlin criticises the monetary union of 1990 as a final betrayal of East Germany’s citizens: because of decisions for which the GDR’s outgoing leadership shared responsibility, he argues, they exchanged socialist repression for years of capitalist depression, unemployment, and welfare subsidy.

The Currency of Socialism made me think about two things. First, what drives economic policy – is it the beliefs of altruistic leaders, correct or incorrect, or their selfishly rational ambition for power? Zatlin suggests that the East German party leaders aimed to build a good society, but undermined their own goals because of mistaken thinking: for example, the party superimposed its own priorities on consumer desires because of an “epistemological blunder” (p. 240). But this claim is weakened because he does not explain what policies would have been epistemologically correct. An alternative hypothesis would be that this was not a blunder but a rational mechanism of their political power.

Second, what is the historical alternative to ordering social inequality by money? In several places Zatlin contrasts markets allocation with ethical allocation. He attributes to Marx the view that the market permits “the increasing subordination of ethical to economic value” (p. 30) and again to the East German communists (p. 58) and he also argues that monetizing the socialist economy spread cynicism “by placing economic over ethical cost” (p. 112). Historically, however, the alternative to the market order has generally been a feudal or bureaucratic order, not an ethical order of society. Serious discussion of administered inequality under socialism would add a missing dimension to this exciting book.

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