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Review Of "Radical Traditions: The Survival And Revival Of Entrepreneurs In The GDR" By A. Pickel

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Radical Traditions: The Survival and Revival of Entrepreneurs in the GDR. By Andreas Pickel. Boulder: Westview Press, 1992. xii, 242 pp. Index. Figures. Tables. Paper.

Andreas Pickel is a political scientist who addresses several critical questions about the operation of the private sector within an ostensible socialist economy: why did the private enterprise sector in the former GDR remain larger than that of other CMEA nations for so long? Even after it was reduced in size in 1972, how did it manage to survive as a legitimate part of the GDR economic system? And what lessons can be learned about institutional change that would be useful to the transition to capitalism? This is an important and well crafted study, even though I disagree with many of the author's interpretations, particularly with regard to the post-1990 period.

Until 1972 the former GDR had a relatively large private sector, especially in handicraft, light industry and retail trade. Pickel argues that until the construction of the Berlin Wall in 1961, the economic competition with West Germany constrained the type of total nationalization witnessed in such nations as Czechoslovakia. Although much of his discussion covers the same ground that was previously surveyed by Anders Åslund in his 1984 study of private enterprise in east Europe, Pickel places much more emphasis on the manner in which the local governments had responsibility for supervising these enterprises and how these local governments created a series of institutional infrastructures that supported the private enterprises, supplied them with industrial inputs, provided them with a type of political representation and gave them a certain political legitimacy. He might well have also noted that a much larger share of total industrial production was carried out in cooperative enterprises or in state-owned enterprises managed by local governments than in most other CMEA nations so that these local governments had an enhanced economic role placing them in a better position to carry out these roles toward the private sector.

In 1972 the central government nationalized most of these previously private enterprises, a decision Pickel argues came directly from the top with relatively little outside discussion. An unintended consequence of the slow transition in previous years was the creation of this institutional infrastructure so that the remaining private enterprises were to flourish. The local officials responsible for supplying the population with goods and services were able to find no suitable substitutes; and, in contrast to other CMEA nations, these private enterprises were able to serve their functions without the need for massive dealing with the black market to obtain supplies. In sum, they could carry out the economic functions assigned to them both legally and competently.

Pickel argues that slow institutional change has some useful unintended consequences. He pleads for a slower institutional change in east Germany, so as to allow an institutional development permitting these private GDR entrepreneurs a chance to expand, rather than the quick change that is leading to a West German takeover of the former GDR economy. But this argument glides over two important facts. The private entrepreneurs in East Germany in the late 1980s were primary petty capitalists whose economic horizons were not necessarily very broad. Furthermore, the currency reform was carried out with an overvalued ost-mark so that most East German firms were bound to fail, no matter what institutional changes were occurring.

Nevertheless, Pickel provides a detailed and fascinating analysis of the politics and economics of the East German private sector from 1945 to 1991. The anomaly of a private sector in one of the most dogmatic marxist nations has many lessons to teach, and the author carries out his task in a competent and thorough fashion that adds much to our knowledge of the former GDR.

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The New Democracies in Eastern Europe, Party Systems and Political Cleavages. Studies of Communism in Transition. Eds. Sten Berglund and Jan Åke Dellenbrant. Brookfield: Edward Elgar, 1991. xii, 237 pp. Indexes. Tables. Figures. $55.95, hard bound.

The title of this book promises a lot. The new, or—to express it more cautiously—the emerging democracies in eastern Europe present fascinating opportunities for any