



Volume 9. Two Germanies, 1961-1989

Walter Ulbricht on the "New Economic System" of the GDR (December 16, 1965)

In order to speed the growth of the East German economy, SED leader Walter Ulbricht reviewed the first stage of his "New Economic System," which reintroduced market incentives into the planned economy. He also urged that its further development be based on the "scientific-technological revolution."

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Dear Comrades!

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That we are in a position to properly utilize and apply the laws of social development is shown by the elaboration and development of the new economic system of planning and management that we agreed upon and introduced in 1963 and have since developed further.

The new economic system of planning and management is our instrument – with whose help we are tackling the tasks involved in the comprehensive build-up of socialism and the technological revolution in the German Democratic Republic and completing the transition from capitalism to socialism with the total victory of socialism in the German Democratic Republic.

*With the new economic system of planning and management, we are creating, on the basis of the economic laws of socialism, the fundamental economic system of socialism in the German Democratic Republic. It is the economic system of a highly developed socialist industrial state with intensive modern agriculture. It is the economic system of a socialist state that has essentially mastered the unheard-of burdens imposed by the imperialist past, especially by the fascist world war and the division of the country.*

It is an ideological task of the first order to insure that everyone understands the scope of this qualitative change in our economy and society. Understanding this qualitative change and its relationship to the new economic system of planning and management is a criterion for the maturity of leadership cadres, not only in the economy. *The most important conclusion is: take a stand for innovation and learn!* The two are inextricably connected. No comrade in any responsible position should ever forget that. Only those who take a stand and learn will live up to the new demands.

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Almost three years have passed since the Sixth Party Congress and almost two and a half since the Economic Conference. At the end of 1963 we evaluated the initial results of the new economic system of planning and management and settled on the tasks for 1964. At the end of 1964, the Central Committee laid out the problems and tasks for 1965 in great detail. Now, at this meeting, we want to make a preliminary assessment of the first stage of the new economic system of planning and management and determine the problems and tasks for the upcoming years – especially for the plan year 1966.

The results of the implementation of the plan in 1965 substantiate the fact that the new economic system of planning and management has proven itself. Yet they also confirm that we will still have significant scientific and organizational problems to solve in 1966 and in the following years. *The most important result of the new economic system of planning and management was and remains: The creative initiative of the workers and the quality of the leadership in the firms, in the Associations of Nationally-Owned Enterprises [Vereinigungen Volkseigener Betriebe or VVEB], in the agricultural production collectives [landwirtschaftliche Produktionsgenossenschaften or LPGS], in the nationally-owned farms, in the agricultural councils, and in the state organs have increased considerably.*

The good results of 1964, when socialist industry satisfied not only the production plan but also the profit plan for the first time in many years, and when agriculture achieved a significant increase in market revenue, have continued in 1965.

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We have been successful because we have paid more and more attention to the basic principle, “What benefits society must also be advantageous to industry and the workers.” By properly stimulating the initiative of workforces and leaders in a material way and by improving political-ideological work in the economic sector, the main driving force of socialist production has become more effective. In our industry, a closed system of economic leverage has taken form, although – and this should definitely not be concealed – there are still numerous unsolved problems.

In the first stage of the new economic system of planning and management we have overcome a series of administrative elements in planning that had directed firms toward goals that were not entirely in accordance with the interests of society. We did this, for example, through the gross production index, through which firm productivity is gauged and on whose basis bonuses are also determined. Additionally, in the first stage, the VVEB were transformed into economic leadership organs within the industrial branches, whereby the personal responsibility and autonomy of supervisors and workforces was greatly fostered. Most of the VVEB have made good progress in the last two years in applying economical accounting. But there are still

concerns about fifteen to eighteen VVEB that have yet to successfully convert to the labor system of the new economic system of planning and management.

Important components of the closed system of economic leverage were not only worked out but also put into practice. Profit was emphasized as the standard measurement of productivity for factories and the VVEB. The reevaluation of basic resources was completed. In 1964, the first stage of the industrial price reform in basic industry was carried out; this year saw the second stage, in which new prices were introduced for basic elements in the chemical industry, for building materials and mineral raw materials, timber, non-iron metals, textile raw materials, and other goods. Reevaluation of the basic resources and industrial price reform greatly motivated the VVEB and the workers to make precise calculations and realize increased profitability. At the same time, the foundation for stimulating personal material interests was also improved. The new contract law, the new investment ordinance, and changes in the area of materials logistics represent additional important prerequisites for employing economic means to orient the VVEB and the companies to work in the interest of the national economy.

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### ***What Comprises the Second Stage of the New Economic System of Planning and Management?***

The second stage in the implementation of the new economic system of planning and management encompasses the time period in which we are advancing the comprehensive build-up of socialism in the German Democratic Republic. Within this time period, the long-term plan will be carried out until 1970; it will concentrate the forces needed to successfully realize the scientific-technological revolution.

This is not being done for the sake of the technology itself; rather it is an objective requirement of the economic laws of our age. Our state cannot complete its national mission without tackling these tasks. In order to increase the effectiveness of the national economy and raise the standard of living – the most important goals of the activities of the workforce – it is necessary to productively apply scientific-technological knowledge and to achieve the highest possible level with regard to the production and profitability of products that are decisive for the national economy.

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*To give a new quality to the long-term and the annual plan, to introduce new discoveries in the economic sciences, especially in the theory of national economic planning, into the practice of the planning organs – that is the main link in the chain of the further development of the new economic system of planning and management, that is the most significant sign of the upcoming second stage of the implementation of the new economic system of planning and management.*

*It is the objective interest of society, of the citizens of our republic, in its entirety, to work together to create the greatest possible growth in national income and to ensure its appropriate use.*

The higher the increase in national income, the higher the effectiveness of the work of the people.

The increase in national income is the only source for an increase in investments for expanded production and for the means to raise the living standards of the workers.

*The planning organs, in particular the State Planning Commission, are faced with the problem of calculating a variant for carrying out the technological revolution, one that will ensure optimum growth in the national income and will therefore open up the source for the continuation of the technological revolution.*

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Source: Walter Ulbricht, *Zum Neuen Ökonomischen System der Planung und Leitung* [On the New Economic System of Planning and Management]. Berlin, 1966, pp. 668-76.

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