Abstract: This paper compares nationalisation campaigns in the German Democratic Republic and socialist Poland, with particular focus on industry. It is based on secondary literature as well as material from both the German and Polish statistical offices. The main finding is a surprising lack of simultaneity in the nationalisation campaigns in the two countries, which possibly had a significant impact on the course of economic transformation in East Germany and in Poland.

Keywords: GDR, Poland, nationalisation, industrial policy, political economy, property rights

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INTRODUCTION

In both the German Democratic Republic (GDR) and the Polish People’s Republic, private businesses were systematically suppressed, as they did not correspond to the political ideal of a communist society with no private property. In both countries, however, there were niches where enterprises of this type were allowed to exist. On the one hand, the geopolitical situation of the GDR in the 1950s was not conducive to rapid and com-
prehensive nationalisation; on the other, private enterprises in both countries were tolerated, at least temporarily, to make up for the shortcomings of the planned economic system - particularly in the supply of consumer goods.

Nevertheless, there is a marked lack of simultaneity in the treatment of private enterprises in the GDR and in socialist Poland. In the case of the latter, private sector activity was permitted from 1956 onwards, and gained in importance in the 1970s due to favourable legislation. In the GDR, a process of extensive nationalisation, particularly in the manufacturing sector, was completed in 1972. The remaining private enterprises and “companies with state participation” were closed down or incorporated into existing state enterprises and combines. It is this dissimilarity that we will be concerned with in the present work. It will be shown on the one hand that the so-called Eastern Bloc was in no way so monolithic as was often suggested in the older subject literature. Although this goes beyond the scope of this article, the findings may provide some answers concerning the results of the transformations in eastern Germany and Poland, which from today’s perspective appear quite different. The differing opportunities for the development of enterprise in the GDR and Poland, particularly in the 1970s and 1980s, may have had an important influence on later success.

This paper will also shed light on the economic role of private enterprises and give an overview of the progress of nationalisation policy in the two countries. What differences and similarities can be identified? Our focus will be on industry, with other sectors such as crafts, trade and agriculture mentioned only in relation to specific points.¹ This limitation also applies to cooperatives, which were of some significance especially in these sectors. It should be noted that the GDR already had an industrialised economy when it was founded in 1949, with the secondary sector accounting for a 50.1% share [Statistisches Jahrbuch 1990: 104].² This share corresponds to pre-war figures, although the contributions of the economic sectors in the GDR and other Eastern Bloc countries were calculated on

¹ The shadow economy also played a not insignificant role in economic life in both the GDR and socialist Poland [see Brezinski H. 1987; Kochanowski J. 2010].
² The contributions of the economic sectors to total value added were as follows: industry and manufacturing crafts 50.1%, construction 5.7%, agriculture and forestry 17.9%, transport, post and telecommunications 6.6%, domestic trade 17.5%, other production branches 2.2%.
a different methodological basis. The Polish People’s Republic, in its early stages, had only a semi-industrialised economy, with the secondary sector accounting for around 22% in 1950 [Rocznik Statystyczny 1969: 47]. Apart from secondary sources, this work is also based on data from the national statistical offices of the GDR (Staatliche Zentralverwaltung für Statistik, SZS) and Poland (Główny Urząd Statystyczny, GUS) published in the respective statistical yearbooks.

The special role of private enterprise in a planned economy is made clear by a brief theoretical consideration. The key features of a planned economy, according to socialist economic theory, are the state’s monopoly of ownership of means of production, and the exclusive power of the central authorities to create production plans [Wagener H.-J., Rudolph F. 2018: 124-5; for Poland see Bałtowski M. 2009: 397−8]. The Soviet-type planned economy thus left no room for free trade or free decision-making. In these conditions, private entrepreneurs could not fulfil the role of “creative destroyers” of the existing balance, ascribed to them by Joseph Schumpeter; they lacked the ability to introduce innovations or initiate processes of change [see Schumpeter J. 1911]. The consequences of this were noted early on by several economists. As early as 1932, Ludwig Mises foresaw that: “Every step that leads us away from private ownership of the means of production […] also leads us away from rational economy.” [Mises L. 1920: 99]. János Kornai similarly characterised the later planned economies in general as “shortage economies”, regardless of the quality of the central planning [see Kornai J. 1980].

3 In 1937, the production sector had contributed 51.5% of added value [Metz R. 2015: 193]. The contributions of other sectors were as follows: agriculture 15.1%, trade, transport and hospitality 15.4%, services 16.6%. A slightly different picture is obtained by considering numbers of workers, which gives a greater share to the primary sector and a smaller share to the secondary sector.

4 The contributions of the other sectors in 1950 in terms of employment were as follows: agriculture 49%, construction 5.2%, transport and communications 5.4%, trade 5.6%, education 2.3%, others around 10%.

5 It should be mentioned, however, that also in fully developed market economies state enterprises are of high importance.
PRIVATE ENTERPRISE IN THE GDR

Nationalisation in the Soviet occupation zone and in the GDR to 1953

The nationalisation of private enterprise in what would become the GDR was begun by the confiscations carried out by the Red Army in the Soviet occupation zone from mid-1945 onwards. This “spontaneous” expropriation was given a legal basis by the so-called sequestrations that began in early November 1945. Under this procedure, the property of “Nazi activists, arms manufacturers, war criminals and financiers of the National Socialist Party” was recorded on lists. Between November 1945 and April 1948 a total of 9,281 individual business were taken over, including 3,843 industrial firms. In April 1948, by a further order of the Soviet military administration, around 2,800 sequestered businesses were irrevocably confiscated and made public property in the form of new state-owned enterprises (Volkseigener Betrieb, VEB) [Buck H.F. 1995: 1084].

Some of the businesses that had been expropriated “spontaneously” after the end of the war, or in the later sequestration, were transformed with effect from 5 June 1946 into Soviet corporations (Sowjetische Aktiengesellschaft, SAG) to satisfy part of the Soviet Union’s reparation claims. These included the most efficient industrial concerns of the occupation zone. At their zenith in 1947 there existed 33 such corporations, controlling 213 individual firms and with around 300,000 employees [Foitzik J. 1993: 31–2]. By the spring of 1948 the economic and military administrations of the Soviet occupation zone controlled over 63% of its total production capacity (23% through SAGs and 40% through VEBs), despite the fact that only around 8% of all industrial firms had been nationalised by that time [Buck H.F. 1995: 1106]. Until December 1953 this industrial capacity was gradually transferred to East German state ownership.

An important factor in the legitimisation of the confiscations was a referendum held in Saxony on 30 June 1946 by the regional leadership of the Communist Party of Germany (Kommunistische Partei Deutschlands, KPD), in which 77.6% of votes were cast in favour of the transfer into public ownership of businesses owned by so-called war criminals and Nazi

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6 This was based on Order no. 124 of the Soviet military administration, “On the seizure and provisional takeover of certain categories of property”; see Buck H.F. [1995: 1078].
criminals [Braun G. 1993: 395]. Other provinces of the Soviet occupation zone proceeded with the confiscations without referendums. This makes clear the active role played by East German politics in the implementation of nationalisation.

Regardless of the fact that even before the founding of the GDR on 7 October 1949 the “commanding heights” of the economy of the Soviet zone had been brought under state control, a large part of the economy, especially small and medium-sized firms in light industries and the food industry, remained in private hands. In such neighbouring countries as Poland (see below), Hungary and Czechoslovakia, the private economy – especially industry – had already undergone more far-reaching nationalisation by that time. The reason for this surprising deviation from ideological lines is thought by historians to lie in the GDR’s geopolitical situation, with a border with the West that remained open until 1961. Comprehensive nationalisation in the late 1940s would have further exacerbated internal and foreign political tensions and worsened the economic situation [see: Pickel A. 1992: 9–10; Hoffmann H. 1999: 1; Steiner A. 2004: 177].

From the summer of 1948, the political leadership in the Soviet occupation zone succeeded in establishing a monopoly on credit. The cooperative and state-owned banks would only give loans to undertakings that demonstrably served the fulfilment of the national economic plans [Buck H.F. 1995: 1173]. After a tax reform introduced on 1 April 1949, businesses in the Soviet occupation zone (and subsequently in the GDR) were taxed according to their class affiliation [Buck H.F. 1995: 1142–3]. This placed private enterprises at an even greater disadvantage with respect to the VEBs. Double taxation in the form of corporation tax and income tax, with maximum rates of up to 95%, left private businesses with practically no legal possibilities of growth. Discrimination in the supply of materials, the availability of credit, and taxation caused the number of private industrial firms in the Soviet occupation zone (Sowjetische Besatzungszone, SBZ) and later the GDR to fall from 36,000 in 1948 to 17,543 in 1950 [Buck H.F. 1995: 1120].

Under the “planned construction of socialism” in the GDR, proclaimed by the General Secretary of the Socialist Unity Party of Germany (Sozialistische Einheitspartei Deutschlands, SED), Walter Ulbricht, at the second party conference in July 1952, these developments continued with even greater intensity. Apart from political and administrative measures, such as the transformation of the five provinces into 14 districts (Bezirke),
this socialist offensive was directed especially against the private sector. On the one hand, the regional Chambers of Industry and Commerce (Industrie- und Handelskammern, IHK) were abolished, and tax rates were raised further, or else the payment of tax arrears was enforced. On the other hand, business proprietors (families) were personally disadvantaged, for example, by exclusion from public health care or the food card system [Pickel A. 36–7].

The nationalisation offensive led to significant falls in tax revenue and production, and was suspended after only six months [Ebbinghaus F. 2003: 36–7], to be replaced by the “New Course”. This shift in economic policy was decided by the Council of Ministers of the Soviet Union after Stalin’s death at the end of May 1953. For private industry in the GDR, where the change of course was announced on 9 June 1953, it signified a freezing of nationalisation measures, an easing of tax regulations, and the re-establishment of the IHK. By these means, in particular, the supply of food and consumer goods was expected to improve. The popular uprising that followed shortly afterwards, on 17 June 1953, thus merely strengthened the pressure on the GDR’s leadership to relax the forced construction of socialism; it was not the trigger of the change of course. In the long term, the uprising – and fear of its repetition – led the country’s leadership, especially under Erich Honecker, to adopt a consumption policy that lacked a sound fiscal basis.

The number of expropriations and surrenders of private industrial firms in the GDR did indeed fall as a result of the New Course. In 1953 a total of 2,513 private enterprises had disappeared from the market, whereas in 1954 the figure was just 192, and in 1955 it was 266 [Buck H.F. 1995: 1133]. However, looking at the 1951–55 planning period as a whole, the dismantling of private enterprise in East German industry continued, with the number of businesses falling by a further 4,000 to around 13,800 [Pickel A. 1992: 39]. The period of the New Course between 1953 and 1955 can thus be regarded as a mere pause for breath in the party’s efforts to see the whole of the GDR’s economy nationalised. This was recognised by many entrepreneurs themselves, and led many of them to decide to emigrate to West Germany in the years following the war or in the early years of the GDR era [see e.g. Hefele P. 1998].
Companies with state participation, from 1956

Although the GDR’s leadership did not lose sight of the goal of full nationalisation, a combination of domestic and foreign policy factors led it to take a more moderate course, particularly in relation to private industry, to avoid triggering similar turbulence to that which followed the first socialist offensive of 1952–53. On the one hand, the forced collectivisation of agriculture had led to huge supply bottlenecks and a surge in illegal emigration, and so contributed to the uprising of 1953. On the other hand, at the fifth congress of the SED on 10–16 July 1958, the “main economic task” was proclaimed, modelled on Soviet and Chinese goals, according to which the GDR was to overtake West Germany by 1961 in terms of the main consumption indicators. As shown in Table 1, employment in the private sector nevertheless continued to decline, with employment in private agriculture falling sharply due to the forced completion of collectivisation.

Table 1. Private sector employment in the GDR, 1956–1960

| Year | Private sector employment |
|------|--------------------------|
| 1956 | 3,011,458                |
| 1957 | 2,920,372                |
| 1958 | 2,318,860                |
| 1959 | 1,904,561                |
| 1960 | 1,083,257                |

Source: Statistisches Jahrbuch DDR [1957: 176; 1959: 187; 1960–61: 187].

So that ideological principles would still be upheld, the GDR introduced a form of ownership that had no parallels in other communist states in Eastern Europe.7 The idea was born out of discussions held at the 25th session of the Central Committee (Zentralkomitee, ZK) of the SED on 24–27 October 1955, where Walter Ulbricht spoke of the “ruined” private sector [cited after Hoffmann H. 1999: 49]:

7 For discussion of possible models in China or in Lenin’s state capitalism, see Hoffmann H. [1999: 49-51]; Roesler J. [1972: 222]. Roesler takes the view that the SED was guided by Lenin’s ideas, but Hoffmann argues against this.
“But if we provide them with credit, they would continue to produce what we need for another three or four years. [...] In cases where the owner raises the question of investment aid or other financial aid, we are ready to consider state participation. I mean participation, not providing credit. In the whole affair nothing worse can happen than that we might get involved in a few businesses that are not worth very much. But that is of little matter. Since we need these firms’ output, we also have to risk something.”

The state participation idea was also taken up by the bloc parties. On 20 February 1956 the Christian Democratic Union of Germany (Christlich-Demokratische Union Deutschlands, CDU) arranged a meeting in Berlin between eight private entrepreneurs and leading figures in the state apparatus and trade unions. Heinz Hoffmann describes this meeting as the “real birth of state participation” [Hoffmann H. 1999: 52-3]. In the spring of 1956 the first proposals for state participation were submitted.

The business form called “semi-state-owned company”, later “company with state participation”, was modelled on the long-established limited partnership (Kommanditgesellschaft). The state acted through corresponding VEBs as a limited partner, its liability limited to the size of its capital contribution, while the former owner became a general partner with unlimited liability. Once the bureaucratic process had been improved, this new business arrangement aroused widespread interest. The reason for this was, on the one hand, the recognition by many private entrepreneurs that state participation was the only way to lead their firms out of stagnation. On the other hand, state participation was linked to concrete privileges: new capital, allocation of materials, assured sales, and moderate wage taxation of the general partner in place of the earlier “capitalist tax” [Buck H.F. 1995: 1136]. The tax as well as its name underlines the pejorative meaning of the word “capitalist” at that time. Moreover, although companies with state participation were included in the planning system, they were subject to a simplified form of planning. There was also pressure exerted on business owners by the authorities to apply for state participation [Ebbringhaus F. 2003: 110; see also Arp A. 2005].

The 1960s saw little change in the number and status of companies with state participation. As the figures in Table 2 show, the majority of such companies had been formed by 1962, while the number of purely private firms was steadily falling.

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8 Matters covered by the simplified planning were workforce balance, material indicators, production volume, investments, and assortment balance.
Even Walter Ulbricht seemed to become a proponent of this ideologically deviant form of business. In 1967, at the SED’s 7th party congress, he described the existing situation as “functional socialism” and spoke of a “socialist people’s community” [Pickel A. 1992: 59].

During attempts at reform under the New Economic System of Management and Planning (Neues Ökonomisches System der Planung und Leitung, NÖSPL) in the 1960s, little changed in the assessment of private enterprises by politicians, who saw them as a mere appendix to the publicly owned economy [Steiner A. 2006: 265].

In evaluating the importance of semi-state-owned and private firms for the economy as a whole, it should be noted that they were mostly small and medium-sized enterprises. In 1960, around 90% of the GDR’s overall industrial output came from state companies [Steiner A. 2004: 91]. Of the remaining ten per cent, 6.6% came from companies with state participation [Roesler J. 1972: 222, figures for the year 1962]. Until 1971, industrial production continued to shift away from private firms. It was clear that companies with state participation, and especially privately owned firms, lacked the prerequisites for mass production, and thus achieved lower productivity than the VEBs. Table 3 shows a breakdown of these categories of businesses by size, expressed in terms of number of employees. Nevertheless, the true economic value of these small firms becomes clear only when one takes into account that they contributed significantly to the supply of small everyday items that could be manufactured only in small

9 This change of attitude was also confirmed by the longstanding chairman of the State Planning Commission, Gerhard Schürer [1999: 73].

10 In 1971, of the GDR’s total industrial output, 10% came from companies with state participation and 1.3% from private firms [Hoffmann H. 1999: 106].
series, necessarily with lower productivity. Small quantities and, therefore, a lower productivity was often the reason, why large state enterprises were reluctant to produce consumer goods.

The nationalisation campaign of 1972

The replacement of Ulbricht with Erich Honecker in 1971 was a watershed for private and semi-state-owned firms in the GDR, heralding a policy that Gerhard Schürer, chairman of the State Planning Commission, would describe in retrospect as “one of [Honecker’s] greatest strategic mistakes” [Schürer G. 1999: 73]. By the late 1960s, Ulbricht’s reform policies were coming under increasing criticism, not least because problems of supply had again intensified. Consequently, at the 14th session of the SED’s Central Committee on 9–11 December 1970, a new approach to private and semi-state-owned firms was proposed, with a particular focus on those that had means of production at their disposal [Pickel A. 1992: 63]. Arguments against these forms of enterprise included the supposed higher incomes in the private sector, the high need for investment, the lack of class consciousness among employees of private firms, and the lower level of productivity.

The decision to proceed with rapid nationalisation was finally made after Ulbricht’s replacement by Honecker at the 4th session of the Central Committee of the SED on 16–17 December 1971. The Politburo’s decision
came on 8 February 1972 [Hoffmann H. 1999: 136]. Apart from economic motivations, ideological reasons played a major role, and an impetus may also have come from Moscow.\footnote{This assumption is based on a statement by Erich Honecker at a meeting of bloc party leaders on 13 January 1972, later confirmed by Politburo member Hermann Axen. Heinz Hoffmann found no evidence for it, but considered the assumption plausible [Hoffmann H. 1999: 128–9].} The ambivalent role of the bloc parties, who should have spoken up for the interests of the remaining private entrepreneurs, has already been described in the secondary literature [Hoffmann H. 1999: 127–8; see also Kaiser M. 1990].

The actual nationalisation campaign essentially lasted only from February to May 1972. In this short time, the authorities succeeded in increasing the state’s share of the industrial sector from 88.8% to 99.9% [Pickel A. 1992: 65]. According to the subject literature around 11,000 semi-state-owned and private firms were affected, as well as craft cooperatives (Produktionsgenossenschaft des Handwerks, PGH), with a total of almost 600,000 employees,\footnote{Buck refers to 5600 semi-state-owned and 2568 private firms, as well as 1700 PGHs [Buck H.F. 1995: 1140]. Maria Haendcke-Hoppe mentions 6479 semi-state-owned and 3166 private firms and over 1000 industrial production PGHs [Haendcke-Hoppe M. 1973, 37]. Anders Åslund gives 11,000 firms with 585,000 employees [Åslund A. 1985: 189]. Pickel quotes the same figures [Pickel A. 1992. 189].} accounting for about 11% of industrial output and 15% of the industrial workforce [Steiner A. 2004: 177]. Thus, the GDR’s leadership had achieved its goal of complete nationalisation by the end of 1972, at least in the industrial sector. Only in the craft and retail sectors were there still 125,000 private firms [Pickel A. 1992: 12] and 330 companies with state participation [Hoffmann H. 1999: 157].

Once the GDR’s leadership under Honecker was able to report the complete nationalisation of industry, it could make cosmetic concessions to the remaining private firms in the craft and trade sectors, although in doing so it did not noticeably improve supplies to the public. The Politburo thus made even further concessions in a decision “On the promotion of private retail, food service and craft firms in the interest of the further improvement of supply to the population” adopted on 12 February 1976, since it was clear that the state-run economy in the form of VEBs and combines was not in a position to supply the “thousand little things of everyday need”\footnote{Under the “Catch Up and Overtake” campaign initiated in 1958 under SED First Secretary Walter Ulbricht, it was planned to overtake West Germany in terms of per capita consumption of significant foodstuffs and consumer goods. The “Thousand Little Things”} to the country’s population [Pickel A. 1992: 12]. This is also...
reflected in the relatively high number of private craft firms which, in contrast to private industry, were not brought into state ownership in a final nationalisation campaign. The years 1984, 1986 and 1988 saw further improvements for the private sector, including the easier obtaining of licences, a better supply of credit and subsidies, and support for those taking over their parents’ business [see e.g. Schlegelmilch C. 2005]. Table 4 shows that the numbers of self-employed in most sectors remained virtually unchanged in the 1980s. However, a significant rise is visible in the trade sector, while the statistics do not even include an “industry” category. Finally, in September 1989, 1.8% of the GDR’s working population aged between 16 and 64 was self-employed, compared with 10.5% in West Germany [Fritsch M. et al. 2014: 429].

PRIVATE ENTERPRISE IN SOCIALIST POLAND

Early attempts at nationalisation, 1946–1956

As has already been mentioned, nationalisation policy in Poland and the other Eastern Bloc countries took a different course than in the GDR. However, in the first years after the war, similar processes took place in all of these countries. The Polish government also strove to ensure the consistent development of the secondary sector, particularly under Bolesław Bierut, who in 1948 replaced Władysław Gomułka as chairman of the programme was also launched for this purpose, to boost the production of household goods [see e.g. Merl S. 1997].

| Year | 1980 | 1988 |
|------|------|------|
| Agriculture | 6,100 | 5,900 |
| Trade | 11,900 | 39,000 |
| Crafts | 112,500 | 111,700 |
| Freelance | 10,700 | 12,600 |
| Other | 13,000 | 12,500 |
| Total | 154,200 | 181,700 |

Source: Statistisches Jahrbuch DDR [1981: 90; 1989: 111].
Polish United Workers’ Party (Polska Zjednoczona Partia Robocza, PZPR). In contrast to the GDR, and in spite of some success in industrialisation in the inter-war years, Poland was still a primarily agrarian society with only the beginnings of industrial development. This economic structure was to be transformed by a massive expansion, especially of heavy industry, following the Soviet model.

In the course of this socialist transformation, and with the progressive consolidation of power, existing property rights were increasingly called into question. To win public support, before the end of the war only popular reforms at the expense of large landowners were enacted, and the “Manifesto of the Polish Committee of National Liberation” (Manifest PKWN) of 22 July 1944 made no mention of nationalisation in other sectors [Kalinski J. 1995: 17].

The nationalisation of industry began in 1946. One should note that, state control had already been high in the inter-war years, as some of the most important Polish enterprises had been state-owned, or at least became so after the Great Depression of the late 1920s [Balitowski M. 2009: 121]. These pre-existing conditions facilitated the nationalisation efforts of the post-war Polish government; often all that was required was a confirmation of the status quo.

In May 1945, the Polish interim government passed a law by which businesses were expropriated without compensation from former German owners or collaborators [Dz.U. 1945 nr 17 poz. 97]. Nevertheless, it was still possible for firms to be returned to their rightful owners through a legal process. Reprivatisation cases were heard by the district courts, with the Chief Office for the Temporary State Government (Tymczasowy Zarzad Państwowy) representing the interest of the state. The reprivatisation process saw around 50 firms returned to their owners. However, the restitutions met with resistance from members of the Polish Workers’ Party (Polska Partia Robotnicza, PPR), and as a result the law was changed to prevent further claims by legitimate owners for the return of their property [Goleciowski J. 1976: 110].

In January 1946, all industrial firms with more than 50 employees per shift were officially nationalised [Dz.U. 1946 nr 3 poz. 17]. The law thus in many cases confirmed the factual situation created by “task forces”.

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14 Act of 6 May 1945 on vacated and abandoned property.
15 Act of 3 January 1946 on the bringing into state ownership of basic sectors of the national economy.
At the same time, the government assured the remaining smaller private firms, particularly in the craft sector, that their ownership rights and free development would not be restricted. By the end of 1948, a total of 5,870 private firms had been nationalised on this basis [Kaliński J. 1995: 23]. As Table 5 shows, a large part of Polish industry was already in state hands by 1946, and the figures for the following years are relatively stable.

In Poland too, the goal was to occupy the “commanding heights” of the economy. Managers and intellectuals from the pre-war period were met with suspicion [Chumiński J. 2006: 20–1]. To ensure a greater influence on personnel policy in state enterprises, the personnel departments in particular were filled with party members. A network of agents and informants was also developed, so that rapid action could be taken against “enemy elements”. Surveillance and intimidation of workers became everyday occurrences, and minor disruptions or innocent production stoppages were interpreted as sabotage. Oversight of state companies by the security services was ensured by the appointment of a political director, who was seen as a representative of the real director, and who represented the “party line in the company” [Chumiński J. 2010]. In contrast to industry, which was of both economic and ideological importance, small private enterprises were still allowed to develop relatively freely, until the stabilisation of socialist rule [Gardawski J. 2001: 10]. Not until the “battle for trade” (bitwa o handel) fought between 1947 and 1949 were private traders also targeted [see Kaliński J. 1970]. This new offensive was spurred by the electoral success of the PPR in the elections to the parliament (Sejm) held on 19 January 1947. According to official propaganda, the wave of expropri-

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16 In a list drawn up by the security apparatus in 1954, potential enemies of the people were identified in no less than 43 categories (private entrepreneurs included), which together accounted for 31.3% of the entire population [Chumiński J. 2006: 20–1].

17 For some accounts by small entrepreneurs of that period see Knyt A., Gluza-Wancerz A. [2001].
Private enterprise under Gomułka and Gierek

A turning point in the history of nationalisation in Poland came in 1956 with the restoration of Władysław Gomułka as chairman of the Polish United Workers’ Party (Polska Zjednoczona Partia Robotnicza, PZPR), the successor of the PPR. Before his removal as general secretary of the governing party in the autumn of 1948, Gomułka had approved the “battle for trade”; nevertheless, under his leadership from 1956 onwards, a liberalisation of economic policy took place. Although this phase lasted only for a short time, the Polish agricultural sector was able to escape the kind of full collectivisation that was imposed in the GDR at that time. In industry and other sectors, the following years were marked by an alternation of more restrictive (1968) and more liberal periods (1963–1966, 1977–1980).18 Table 7 shows how these periods were reflected in changes in the numbers of private firms in particular sectors.

18 On the periodisation, see also Åslund A. [1985: 19–20].

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Table 6. Structure of the private sector, excluding agriculture, in 1937–1955 (percentages)

| Year    | 1937–39 | 1947 | 1955 |
|---------|---------|------|------|
| Craft   | 32.0    | 38.4 | 72.6 |
| Industry| 22.7    | 5.0  | 3.4  |
| Trade/food service | 39.5 | 51.3 | 11.8 |
| Services | 5.8    | 5.3  | 12.2 |

Source: Konopska-Struś E., Muszkiewicz M. [2010: 436].

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In the 1976 amended version of the Constitution of the Polish People’s Republic dating from 22 July 1952, it was stated (Article 5) that “the People’s Republic […] consolidates social ownership as the main basis for the economic strength of the country and the prosperity of the nation” [Dz.U. 1976 nr 7 poz. 36]. There was thus no change in the fundamental direction of economic policy, whose goal was the reinforcement of state ownership. Nevertheless, the private sector, which had already become a fixed element of the Polish economy, received the assurance (Article 17) that “The People’s Republic of Poland recognises and protects, on the basis of applicable laws, individual property and the right of inheritance of land, buildings and other means of production belonging to peasants, craft workers and cottage workers.” [Dz.U. 1976 nr 7 poz. 36]. There was thus a certain continuity in the private sector in socialist Poland, which lasted until the start of the 1980s. In principle the Polish government tolerated private enterprise; crafts in particular were seen as part of the non-nationalised economy, which complemented the nationalised economy in the provision of services. The government also stated that all small businesses, regardless of their form of ownership, should be given equal conditions for operation and development. Nevertheless, the differentiation in taxation (for example) between nationalised and non-nationalised firms was still maintained, so as to continue to restrict the “non-socialised” sector [Konopska-Struś E., (2009: 380).

Moreover, state propaganda took care to uphold the negative connotations of private enterprise, as indicated by the use of terms such as prywatyciarz (pejoratively, a private owner) and spekulant (speculator or profiteer).

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19 Constitution of the People’s Republic of Poland, adopted 22 July 1952.
As Tables 8 and 9 show, all of the listed sectors were able to stabilise in the mid-1960s, or else enjoyed slight growth. The tolerance of small private businesses under Gomułka and his successor Edward Gierek enabled the emergence of an independent social class with a specific work ethic. On the one hand, these small entrepreneurs were furnished with a monopoly-like niche in the production of such goods as building materials, automobile accessories and craft goods, with corresponding earning opportunities, and constituted an integral part of the Polish planned economy. On the other hand, they were subject to tight controls, which tended to give rise to corruption. Adaptability was therefore one of the central qualities of these private entrepreneurs [Gardawski J. 2001: 12].

Private enterprise brought high returns. One proprietor reported that in the 1970s, average net revenue in the first three months was three times an office worker’s salary [Zieleniewicz J. 2001: 94]. Since the proceeds could not be reinvested in the business, many entrepreneurs used them for consumption – in as inconspicuous a manner as possible. Usually they would have a house built, the brave opted to buy a West European

| Year | 1958 | 1960 | 1966 | 1970 |
|------|------|------|------|------|
| Industry | 9.8  | 8.7  | 7.0  | 8.7  |
| Crafts    | 136.0| 133.7| 147.4| 164.3|
| Retail    | 11.5 | 9.8  | 7.0  | 7.0  |
| Hospitality | 1.7 | 1.1  | 0.9  | 1.4  |

Source: Rocznik Statystyczny [1962: 135, 274; 1971: 219, 380, 463].

| Year | 1958 | 1960 | 1966 | 1970 |
|------|------|------|------|------|
| Industry | 29.9 | 26.1 | 22.9 | 30.1 |
| Crafts    | 227.0| 223.6| 278.6| 315.6|
| Retail    | n/a  | n/a  | 22.8 | 22.3 |
| Hospitality | n/a | n/a  | 2.3  | 4.2  |

Source: Rocznik Statystyczny [1962: 110, 452–3; 1971: 219, 390].

[Konopska-Struś E., Muszkiewicz M. 2010: 408].
car [Koźmiński A. 1998: 134]. Many would exchange a part of their earnings for dollars or deutschmarks. Interestingly, the Gierek government allowed foreign-currency bank accounts to be opened, with no questions asked about the source of the funds [Koźmiński A. 1998: 66]. However, these measures did not win the confidence of business owners. True entrepreneurship, with such features as risk-taking and innovation, would not emerge until the 1980s.

### Economic reforms of the 1980s

The political and economic crisis that arose at the end of the 1970s forced the government under Wojciech Jaruzelski, who took the posts of party chairman and Prime Minister in 1981, to make economic concessions. Although from 1980 to 1982 the Polish government attempted to reform the socialist economy so as to make it sustainable, its measures paradoxically enabled a further deviation from the theoretical principles of a planned economy. The communist government, despite the economic crisis, was reluctant to treat the private sector, and Wojciech Jaruzelski in 1982 stated that this sector was “an offense to the socialist system” [Grala D.T. 2005: 259]. The cautious attempts at reform made under Zbigniew Messner (as Deputy Prime Minister and later as Prime Minister) were followed in 1988 and 1989 by fundamental reforms under his successor Mieczysław Rakowski and industry minister Mieczysław Wilczek, which paved the way for a successful transformation of the Polish economy.

As a first step, in July 1981 the Polish government decided to give small state-owned industrial enterprises financial independence, with the aim of increasing their effectiveness through competition with private firms [Dz.U. 1981 nr 18 poz. 89]. Taxation on small-series production was also reduced. This early phase of reform additionally saw a relaxation of the state monopoly on foreign trade. In particular, businesses run by Poles abroad were able to launch operations in Poland by establishing joint ventures. In 1981, 154 companies with foreign capital were operating in Poland. Their number grew steadily. In 1987 there were 695

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20 Messner was Deputy Prime Minister from 1983 to 1985 and Prime Minister from 1985 to 1988.

21 Order of the Council of Ministers of 2 July 1981 on turnover and income tax from natural and legal persons not being units of the socialised economy.
of them [Grala D.T. 2005: 267]. In Poland, these companies were called Polish companies. It should be emphasized that Edward Giełek made the first steps in establishing companies with foreign capital. By virtue of the Regulation of the Council of Ministers of May 14, 1976, on issuing permits to foreign legal and natural persons to conduct certain types of economic activity, he wanted to encourage Poles living in capitalist countries to invest in Poland. July 6, 1982, and 23 April, 1986, were issued subsequent acts of law to encourage Poles living outside the country to make investments in Poland.

The goal of this first stage of economic reform was to stimulate growth through increased competition, foreign contacts and job creation. The now approved private firms were assigned a subordinate role as suppliers to the dominant state enterprises [Grala D.T. 2005: 257]. The possibility of bankruptcy of state firms was also discussed, although this was not implemented on a large scale. Although the desired macroeconomic impulse did not materialize, there was a gradual shift away from state control towards private forms of ownership. Through the 1980s, while the state sector was not able to break free of stagnation, the private sector recorded significant rates of growth. As Table 10 shows, the number of private firms grew from 357,000 in 1981 to well over 500,000 in 1988, while employment in that sector rose from 654,000 to more than a million.

| Year | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|------|------|------|------|------|------|------|------|------|
| No. of private firms | 357.1 | 392.3 | 438.2 | 469.5 | 481.7 | 500.2 | 530.4 | 574.6 |
| 1981=100 | 100 | 109.9 | 122.7 | 131.5 | 134.9 | 140.1 | 148.5 | 160.9 |
| No. of employees | 654.1 | 720.6 | 813.8 | 897.2 | 955.7 | 1036.7 | 1146.9 | 1287.7 |
| 1981=100 | 100 | 110.2 | 124.4 | 137.2 | 146.1 | 158.5 | 175.3 | 196.9 |

Source: Rocznik Statystyczny [1987: 407; 1988: 390; 1989: 402].

The second stage of economic reforms, beginning in 1987, accelerated this restructuring process. It is unclear to what extent the legal improvements were intended to aid private enterprise, or were merely a result of the government’s increasing loss of control [Poznanski K. 1996: 109]. Especially the Economic Consolidation Plan implemented under
Rakowski brought with it a whole series of new laws. One of the significant measures, passed in December 1988, guaranteed the freedom to take up and manage business activity on an equal footing [Dz.U. 1988 nr 41 poz. 324].22 New private firms no longer required licences to operate, the taxation of private and state enterprises was standardised, price regulations were abolished, and central planning and control were reduced. At the same time, foreign investors were granted extensive ownership rights.

Table 11 shows that employment in the private sector outside agriculture rose continuously from the mid-1960s onwards. The fall in total private sector employment may be due to the decline of the primary sector, consisting mostly of private farms; the extent of private agriculture remained relatively stable in the 1980s, at around 10%.

| Year | 1960 | 1965 | 1970 | 1975 | 1980 | 1984 | 1988 |
|------|------|------|------|------|------|------|------|
| Total private sector | 42.0 | 37.9 | 32.0 | 28.0 | 26.6 | 30.5 | 30.9 |
| Private sector excluding agriculture | 2.7 | 2.6 | 2.9 | 2.8 | 3.6 | 5.1 | 7.0 |

Source: Rocznik Statystyczny [1976: 54; 1985: 55; 1989: 63].

The share of the non-agricultural private sector in total employment in Poland rose further to 11.1% in 1989, with private industry having a share of 4.8% [Poznanski K. 1996: 110]. A foundation was thus laid for entrepreneurship in the classical sense, capable of supporting the further transformation of the country’s economy.23

COMPARISON AND RESULTS

Our comparison of nationalisation policy in the industrial sectors of socialist East Germany and Poland has revealed some parallels, but also some important differences. While in Poland, private industry was almost entirely nationalised in the first years after the war, this was not achieved

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22 Act of 23 December 1988 on economic activity.
23 Gardawski refers here to four types of entrepreneurs who differed in their behaviour from the “prywaciarse” that had existed since the 1950s and were entrepreneur types in Schumpeter’s sense [Gardawski J. 2001: 19–20].
in the GDR, at least in relation to small and medium-sized enterprises, due to that country’s geopolitical situation. The first socialist offensive had to be broken off after six months, in early June 1953. On the other hand, with the complete nationalisation of the semi-state-owned companies in 1972, the East German government was following an ideological course at a time when room for manoeuvre had increased regarding the Soviet Union. Therefore, the nationalisation campaign in 1972 was rather not necessitated by external pressure. The Polish government, however, beginning from the late 1970s, was forced by economic difficulties to make far-reaching concessions to the private sector. This divergence in development is reflected in the following figures. While in 1955 still 30.8% of the GDR’s workforce (excluding agriculture) was active in the private sector, the corresponding figure for Poland was just 3.6%. By 1980, these figures had almost equalised, reaching 5.2% (GDR) and 4.9% (Poland) [Åslund A. 1985: 10]. As has been described above, the value for Poland went on to rise to 11.1% by 1989.

Tables 12 and 13 below show the long-term development of the private sector, and private industry, in socialist East Germany and Poland, expressed in terms of percentages of national income.

Despite these differing developments, the figures show that the private sector in both countries, although it played a subordinate role, had become a fixed part of the planned economy. Behind this lay the dilemma that the private sector was needed in every planned economy as a stopgap, as the large state-run concerns were never in a position to satisfy public needs fully, especially with regard to consumer goods. Private enterprises in East Germany and Poland thus took advantage of the functional deficiencies in the socialist planned economy. Among other things, they could also benefit from the absence of competition, marketing, and soft budget constraints on the part of state buyers, and so – as in the Polish case – could sometimes generate considerable profits. The greatest risk

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24 Pickel identifies further reasons for the delayed nationalisation in the GDR, such as institutional traditions, the existence of the bloc parties, and the developed industrial landscape [Pickel A. 1992: 6].

25 The GDR statistical yearbook for 1990 gives for the last recorded year (1989) a total of 459,100 employed in the private sector (including 1900 in industry) [Statistisches Jahrbuch DDR 1990: 126]. Of the approximately 8.5 million total employed in 1989, this represents around 5.3%.

26 Some authors even speak of an “integral” component [see Gardawski J. 2001: 14].
was the state’s economic policy and its variable treatment of private businesses. This environment led to a form of private enterprise that was characteristic of planned economies, with its own specific properties.

Finally, the question remains whether and how the different nationalisation policies of the GDR and socialist Poland influenced the transformations of the 1990s. This question has not yet been addressed within an East German–Polish comparative framework and goes beyond the scope of this article. Research on enterprise in East Germany has shown, however, that the proportion of self-employed in the former East Germany became close to West German levels after about 20 years, although the structure was different.27 It seems clear that the formal and informal institutions existing in the GDR (the planned economy, legislation, and the propagated values and norms) had a direct impact on enterprise culture, with values such as individualism, independence and productivity, and

27 New firms in eastern Germany have fewer employees and a lower survival rate than those in western Germany, and operate mainly in the construction, tourism and services sectors [see Fritsch M., Wyrwich M. 2014: 964].
led to a lower number of entrepreneurs [Fritsch M., Wyrwich M. 2017: 159]. On the other hand, research has also shown that this enterprise culture, or the socioeconomic legacy, has remained visible over long periods and can be traced back to the pre-socialist era [Becker S. et al. 2020: 143–71]. The exchange of values between generations seems to play a decisive role here [Wyrwich M. 2012: 7]. In fact, in the case of the GDR it has been shown that a disproportionately high proportion of managers of state enterprises were children of entrepreneurs, in spite of the latter group’s disadvantages [Salheiser A. 2005: 86–87].

In the Polish People’s Republic, small private firms were able from the 1950s to occupy officially approved niches, where there was no real competition, but where the conditions were often not in line with real market requirements. These special conditions of existence proved disadvantageous during the subsequent transformation phase, which saw the closure of many of the older firms.

On the other hand, the economic policy of the Polish government in particular in the 1980s led to the emergence of new types of entrepreneur. Since the state sector often failed to meet customers’ needs, market niches were occupied by resourceful private entrepreneurs who began production on an industrial scale, often buying discarded machinery from the state enterprises. This led to the production of cosmetics, foodstuffs, synthetic jewellery, clothes, shoes and other consumer goods, and even computer games. Polish entrepreneurs would thus remember that decade as the “golden age of the self-employed” [Grala D.T. 2005: 261]. Such businesses played an important role for the Polish economy during the transformations after 1990.28 From this it may be concluded, paradoxically, that the foundations for Poland’s economic performance in the last 30 years were laid in the time of the planned economy.

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28 One in five firms existing in Poland in 1996 had been founded before 1990 [Sobczak J. 2002: 37].
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