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Multiple Prices and Money in East Germany
Edward Ames

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Multiple Prices and Money in East Germany

Edward Ames

In economies where there is overfull employment, and where prices are not permitted to fluctuate, rationing must be adopted to bring order into consumer distribution. Rationing, in turn, limits consumer expenditures in the ordinary trade channels. A second market, with a second set of prices then appears. Because of its ordinarily illegal or at any rate questionable character, this second market is popularly referred to as "the black market". This second set of prices need not be illegal; in the Soviet bloc, for example, the governments of countries undergoing inflationary pressures actually operate stores selling unrationed goods at prices well above those in stores selling rationed goods. In such multiple price systems, the relation between the money supply and prices is somewhat more complicated than in single price systems. If the "black-market price" itself is fixed by administrative action, the money supply is directly affected by price policies, as well as by the actions of the monetary authorities. This paper will discuss the relation between prices and money in East Germany. This case is the most satisfactory example available for the Soviet bloc because it alone has continued publication of data on the note circulation outside the banking system, and because data on prices are relatively accessible, thanks to the work of the (West Berlin) Deutsche Institut für Wirtschaftsforschung. While the quantitative relations peculiar to East Germany are, of course, not duplicated elsewhere, the analysis of East German problems may well be qualitatively applicable to other bloc countries.

Factual background

The following discussion relates to East Germany over the period following the currency conversion of June 1948, which marked one of the steps in the definitive economic separation of the Soviet zone of occupation from the rest of Germany. Since the analysis relates mainly to the relation between prices and money, a brief summary of the principal facts bearing on the consumer sector of the economy should suffice for background purposes (further details are given in the Appendix).

Currency in circulation in East Germany has varied within a narrow range of 3.3 billion east marks since the end of 1948, even though total wage payments and retail trade turnover have about doubled. The increase in wage payments has been due in roughly equal measure to increases in the number of wage earners and to increases in average wages. Throughout the entire period, rationing and dual prices have been maintained but there has been some decrease in the number of goods rationed.

The cost of living of low-income families increased about 18 per cent from September 1950 to December 1952. This increase was in part undertaken in order to hold down the effective demand for

certain special commodities to a level where rationing could be abolished. The cost of living index for low-income families increased by about the same amount as average wages. The cost of living of high-income families, on the other hand, dropped by about 10 per cent over the same period as a consequence of an 18 per cent reduction in the prices of unrationed goods, which more than offset the increased cost of rationed goods. In other words, with the cost of living of high-income groups falling and that of low-income groups rising, a complicated readjustment of the real income of the various population groups took place. As a result of these price changes, the price index of unrationed goods, which had been about four times as high as that for rationed goods in early 1950, was reduced to a level roughly twice as high in December 1952. Most of the reduction took place in 1949, with relatively small changes in either price level taking place in 1952. It would seem then that increases in the volume of retail trade have reflected mainly increases in employment and increases in consumption by higher-income groups. Improvements in the level of consumption of the average family, therefore, would have resulted mainly from increases in the number of persons employed per family.

This brief characterization of the East German economy suggests a more orderly process of adjustment to "cold war" conditions than has occurred in other Soviet satellites. It is more reasonable to believe that what has happened in the field of prices and money has been the result of deliberate decision than it would to assume the same in the case of the other satellites. This paper analyzes the nature of price and monetary decisions under conditions such as those in East Germany.

The concept of involuntary currency holdings

Suppose that a country has an effective planning, price control and rationing system, and an economic policy so efficient that black markets cannot operate. In such an economy:

- a) an increase in wage payments does not necessarily mean an increase in consumer spending, since both prices and output of consumer goods are fixed by plan. There may therefore be an increase in the outflow of notes from the banking system (as wages) without a corresponding increase in the inflow of notes into the system (as stores deposit their earnings from consumer spending);
- b) since consumers might wish to buy more, at existing prices, than is put on sale by the authorities, they may be forced to hold currency which they would spend if more goods were available. Some of the notes in circulation may therefore represent involuntary saving, that is the value of consumer demand in excess of available supplies of goods;

- c) the total involuntary holding of currency, and the total excess consumer demand will depend not only upon the relation of current incomes to current purchases, but also upon the accumulation of excess demand over past periods.

The same type of reasoning would appear to be as valid for countries with dual price systems as for countries with unified prices, provided that both sets of prices are fixed by official administrative decisions. In this case, however, a diversion of consumer goods from one set of stores to the other will affect consumer spending. Thus a decrease in the ration will tend to increase consumer spending in the unrationed stores. A change in either set of prices will affect consumer spending to some extent, and will therefore affect the flow of notes into the banking system, and hence the money supply of individuals.

If retail prices were allowed to fluctuate freely, involuntary currency holdings would not appear. Even if prices are fixed by administrative action, there need be no rationing or involuntary holdings of currency, provided that prices are high enough to limit consumer purchases to the level of goods available. Nor need rationing and dual prices involve involuntary holding of currency if the two price levels are appropriately fixed. Since the price-fixing authorities fix prices at any level they wish, it might appear unreasonable to suppose that there would ever be involuntary currency holdings. However, the price-fixing authorities are under political pressure not to permit increases in unrationed prices because (1) the unrationed stores compete with farmers selling surplus produce on free markets, and further the government's objective of holding down rural incomes by holding down food prices; and (2) the government is politically committed to bring down the price of unrationed goods to a point where rationing can be abolished. Unforeseen events, including such diverse things as crop failures and unplanned credit expansion, can bring on involuntary currency holdings because in fact the prices of unrationed goods may not be as flexible as the situation demands.

The measurement of involuntary currency holdings

The stability of the note issue in East Germany suggests that fiscal and credit operations have apparently had roughly offsetting effects on the money supply. However, stability of the note issue is not proof that there has been no involuntary currency holding, or even that there has been a constant involuntary holding over the period. The amount of currency East German consumers actually wished to hold is not known, but two simple assumptions might be made concerning it. First, under a "transactions motive" consumers would wish to hold cash reserves equal to their current spendings over some period. Second, under a "precautionary motive" consumers would wish to hold cash reserves sufficient to make a specified volume of purchases of unrationed goods (as they might have to do if rationing were abolished, or if they lost their ration cards, or if they anticipated expensive purchases of unrationed durable goods).

On the basis of a "transactions motive", total voluntary holdings must have increased since 1949, since the value of current spending has risen. On the basis of a "precautionary motive", willingness to hold currency must have declined to the extent that the prices of unrationed goods have declined. The following numerical illustration shows how changes in the two types of voluntary holdings would partly have offset each other in recent years. In the example, increases in "transactions" holdings of currency more than offset declines in "precautionary" holdings, giving decreases in the residual, or "involuntary" holdings in 1950 and 1952, and an increase in 1951. On balance, there would have been a 40 per cent decline in involuntary currency holdings over the period.

Table 1

Changes in Involuntary Currency Holdings in East Germany,
Assuming Both "Transactions" and "Precautionary" Voluntary
Holdings of Currency
(In million of east marks)

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
Total currency holdings				
Average note circulation	3247	3207	3467	3289
<u>minus:</u>				
"Transactions" holdings of currency (half a month's current spending)	567	704	883	1029
"Precautionary" holdings of currency (half a month's spending, valued at unrationed prices) <u>a/</u>	1944	1917	1742	1812
<u>equals:</u>				
Involuntary currency holdings	736	586	842	448

a/ It was assumed that average monthly retail sales per wage earner were of rationed goods up to the total spending of "low-income families" in the DIW cost-of-living index, the balance being spent on unrationed goods. The rationed purchases were then valued in unrationed prices on the basis of the last column in Table 3 of the Appendix, and multiplied by the number of wage earners to give total monthly trade, valued in unrationed prices. The data in this table are half of these totals, for illustrative purposes, so that "voluntary holdings" of all kinds may be somewhat less than the note circulation.

The more important the "transactions motive" in currency holdings may have been over this period and the less important the "precautionary motive", the larger will have been the increase in all voluntary currency holdings (and the decline in involuntary holdings). Given a stable amount of currency outstanding, the fiscal and monetary authorities would presumably wish to see increases in rationed prices, so as to increase the amount of currency held under a "transactions motive". On the other hand, if there is a "precautionary motive", they must maintain at a stable or increasing level the value of current trade measured in unrationed prices, which means that they cannot reduce unrationed goods prices, unless this reduction is at least offset by an increased volume of goods put on sale. The authorities could, of course, always increase voluntary holdings of currency in this case by raising the price of unrationed goods, but, as stated above, this measure may be politically unpalatable. 1/

Conditions for the abolition of rationing in early 1953

On the basis of increases in wages, national prices and employment, excess consumer demand, as measured by involuntary holdings of currency at existing prices, probably declined in East Germany after 1949. At the end of 1952, however, the level of unrationed prices was still twice as high as that of rationed-goods prices. Moreover, the decline in the price of unrationed goods has been small since the beginning of 1952, amounting to only 4 per cent compared to a decline of 38 per cent in the previous 18 months. This failure of unrationed prices to decline further may be explained in part by a tendency of wage payments to be above planned levels (employment has been above, and productivity below planned levels), and in part by diversions of resources out of consumer goods industries. In these circumstances, with purchasing power high and consumer goods supply low relative to plans, reductions in the price of unrationed goods would have tended to lead to greater excess demand and increased currency in circulation outside the banking system.

It is possible to measure the amount of internal readjustment which would have been necessary to unify prices at the beginning of 1953. Appropriate action to bring about such a readjustment would require a knowledge of the volume of consumer goods available in 1953. It would also involve decisions on (1) the desired level of money wages, (2) the level at which the unified prices would be fixed in relation to former rationed and unrationed price levels, and (3) the amount of accumulated liquid savings which consumers would be allowed to hold. It would then be possible to determine whether or not rationing could be abolished without a currency con-

1/ The East German authorities in fact have less freedom of action than their colleagues elsewhere in the Soviet bloc, because in their desire to win some degree of popular support in Western Germany they cannot treat their own population as badly as can other Soviet bloc authorities.

version. Some adjustments in wages are necessary when rationing is abolished, because lower-paid workers who cannot afford purchases in unrationed stores, would otherwise suffer very serious losses in purchasing power, since the unified price level would be above the level of rationed prices. The amount of loss which such groups should suffer is primarily a political question, and East German official opinion on this subject is, of course, unknown.

When prices are unified, the value of trade turnover changes as goods formerly sold off ration sell at lower prices, and as rationed goods sell at higher prices. The net result (see Table 2) depends on where unified prices are fixed in relation to the former prices. The larger current spending the larger, presumably, will be the amount of currency which consumers are willing to hold, and the less will be excess demand (as measured by involuntary currency holdings). For purposes of illustration, it has been assumed that voluntary holdings of currency are equal to 1/4 month's retail sales. This means that consumers, if paid twice a month, would ordinarily spend their entire incomes from one payday to the next. Such an assumption would be reasonable in view of the low standard of living in East Germany. ^{1/} Even if it were not, however, it might be a useful guide as to the objectives of the East German authorities, who probably wish to eliminate the potential threat which any currency holdings above this minimum may present to a unified price system.

The attached graph shows the final results of these various elements. It shows, for example, for any level of real consumption (volume of trade), the wage, price and currency adjustments which would be necessary to achieve equilibrium. The larger the volume of trade, the greater the increase in wages, and the higher the level of unified prices, the smaller the amount by which the actual note circulation would exceed the amount required for a successful price unification, and hence the smaller the number of old currency units which would have to be exchanged for a new unit in an accompanying conversion operation. The quantities used in this analysis apply only to East German conditions at the end of 1952.

An examination of the graph suggests that if the East German authorities wished to unify prices and eliminate excess purchasing power, the higher the level of unified prices, the less the amount by

^{1/} Average monthly wages in the Federal Republic were DM 332 in 1952, the equivalent of DM 302 at 1950 prices. Average monthly retail sales per wage earner in East Germany were DM 255 in 1952, the equivalent of DM 220 at 1950 West German prices. Thus, East German average consumption was, at best, 32 per cent less than West German; since consumption of non-wage income receivers in East Germany is included in the total consumption data here given, the standard of living of East German wage earners was probably worse than this calculation indicates.

Table 2

Hypothetical Currency Conversion Ratios under
Conditions in East Germany at the end of 1952

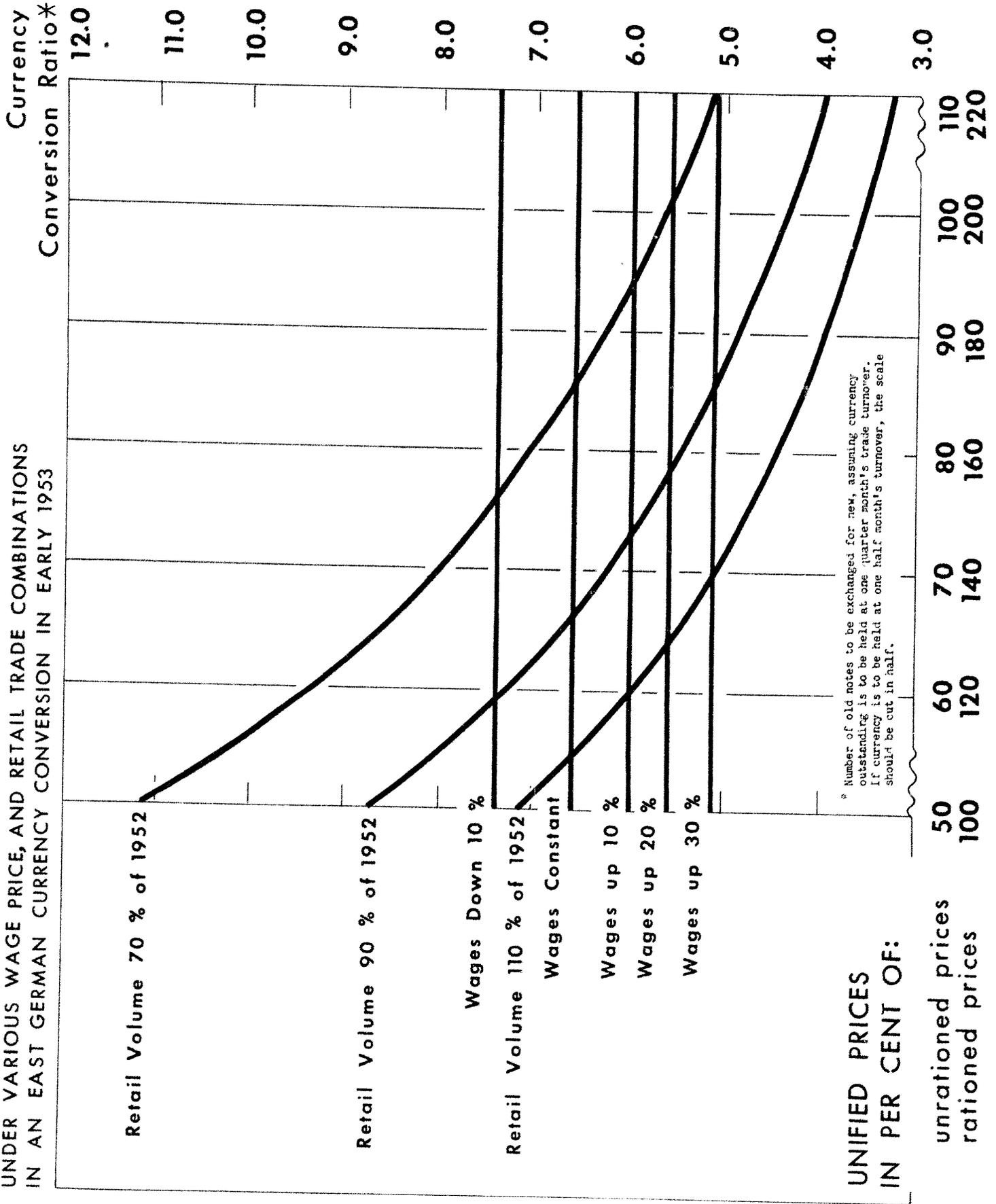
Level of Unified Prices, as per cent of Dec. 1952 unrationed prices	Value of 1953 trade turnover at unified prices										Assumed 1953 Note Circulation (3.4 a/ billion marks) as per cent of requirements (Assuming trade volume to be, in per cent of 1952)					
	(Assuming volume to be, in per cent of 1952)										70	80	90	100	110	120
	70	80	90	100	110	120	70	80	90	100	110	120				
220	31.9	36.5	41.0	45.6	50.2	54.7	512	447	398	358	325	298				
200	29.0	33.1	37.3	41.4	45.5	49.7	563	492	438	394	359	328				
180	26.1	29.8	33.6	37.3	41.0	44.8	625	547	486	438	398	364				
160	23.2	26.5	29.8	33.1	36.4	39.7	704	616	547	493	449	411				
140	20.4	23.3	26.2	29.1	32.0	34.9	800	701	623	561	510	468				
120	17.4	19.9	22.4	24.9	27.4	29.9	939	819	728	655	595	546				
100	14.6	16.6	18.7	20.8	22.9	25.0	1,118	983	874	785	713	653				

a/ Required note circulation is assumed equal to one-quarter of one month's trade turnover.

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HYPOTHETICAL CURRENCY CONVERSION RATIO

UNDER VARIOUS WAGE PRICE, AND RETAIL TRADE COMBINATIONS
IN AN EAST GERMAN CURRENCY CONVERSION IN EARLY 1953



which they would have to reduce the note issue the more they would have to increase wages (and hence industrial costs generally) to maintain any volume of consumption. On the other hand, the scale on the graph denoting the currency conversion rate is based on assumed desirability of liquidating accumulated savings, voluntary or involuntary. From a practical point of view, such liquidation would not only be unpopular, but might also be unnecessary if multiple prices were retained.

If consumers were actually willing to maintain cash balances substantially larger than the small amount here indicated (say even twice as great), a rate of conversion of 3:1, with a 10 per cent wage increase would make possible a price unification with prices about 30 per cent above former rationed levels. This rate of conversion would be very small compared to others in the Soviet bloc, which have ranged from 10 to 400 to one. In the circumstances, a conversion might seem to the authorities to be a heroic cure for a relatively small degree of imbalance, and might make future monetary policy more difficult by destroying confidence in the currency. In the circumstances, then, the authorities might well conclude that it was easier to continue a gradual rise in wages and rationed goods prices until such a time as the indicated conversion rate was close enough to 1:1 that rationing could be abolished without conversion.

Wage and price policies in 1953

The foregoing discussion implicitly assumed that the price and wage structure in East Germany at the end of 1952 was such as to stabilize note circulation--wage payments after taxes being roughly equal to retail sales--so that the main problem of the authorities was to adjust prices and currency holdings in such a way as to eliminate multiple prices. It was shown that such an adjustment would probably have required a currency conversion, although a less drastic one than has taken place in other Soviet bloc countries.

The East German authorities, however, attempted to abolish multiple pricing by other means, namely by wage reductions and increases in prices. On April 13, rationing of textiles and shoes was abolished, and prices were unified at levels above the former rationed price level. In late May, 1/ a decree raised piecework quotas by 10 per cent throughout the economy. This measure would have decreased wage payments by more than 10 per cent, since workers producing above their quotas receive more than proportional increases in income, and would hence suffer income declines of over 10 per cent under the decree. This decree was rescinded on June 16, coincidentally with demonstrations against it in East Berlin and elsewhere.

1/ The decision was announced at the May 16, 1953 meeting of the Central Committee of the Socialist Unity Party; it was concurred in on May 26 by the Executive of the Trade Unions, and by the Council of Ministers. The decree of the Council stated that the reduction was to go into effect June 30, 1953.

The proposed wage reduction would perhaps have had the long-run effect of increasing labor productivity, which was the ostensible objective of the decree. It would, however, have had the short-run effect of reducing money incomes, and hence the rate of outflow of notes from the banking system. To the extent that consumers wished to maintain their existing level of consumption (pending an increase in their individual piecework earnings), they would have been forced to dissave, by drawing down their cash reserves, and in the process reducing the note circulation outside the banking system. If the wage cut forced workers to work harder, as the authorities hoped, income (and the outflow of notes) would gradually rise to perhaps its former level. Meanwhile, if retail expenditures (and the inflow of notes) remained constant, a reduction in the note circulation would be taking place. When income had regained its former level, the note circulation would be stabilized at a somewhat lower level. A second step would then be to reduce prices of unrationed goods, both because of the smaller total (and hence involuntary) currency holdings, and because of the somewhat larger supplies of consumer goods which the productivity increase would by then have made possible.

The proposed wage reduction might thus have achieved a reduction in the note circulation if (1) consumers had assumed that the decline in money wages was temporary (because productivity would increase), and therefore spent all or a part of their "precautionary holdings"; or alternatively if (2) they assumed the decline was permanent, so that they could spend all or a part of their "transactions holdings". However, if they assumed that the wage reduction was permanent, and reacted to it by immediately reducing their current spendings, their cash savings and hence the note circulation would have been unaffected.

Having abandoned, or having been forced to abandon, attempts to reduce money wages (and also price increases on sugar and sugar products), the East German authorities could decrease inflationary forces in the consumer sector only by raising prices (which was probably politically impossible) or by increasing the volume of consumer goods sold, at the expense of capital goods, armaments and the foreign trade program, including reparations payments to the USSR. In July 1953, a series of increases in incomes was approved, including tax concessions to private enterprises (which persist mainly in small-scale consumer goods industries and trade), totalling about 1.4 billion marks or 5 per cent of planned consumption; this was to be offset by increased availabilities of consumer goods, about 15 per cent of which represented deliveries under a loan from the USSR. As shown in Table 3, the increase in consumer goods availabilities is somewhat larger from the increase in consumer resources; the difference is probably greater than the table indicates, because consumer goods output and imports (as here valued) would seem to exclude turnover taxes levied at the distribution stage. To the extent that additional availabilities of goods exceed additional income to consumers, involuntary currency holdings could be reduced.

Table 3

Effects on 1953 Consumer Resources and Spending
of East German Concessions of July 1953 a/
(In millions of marks)

<u>Increases in consumer resources due to:</u>		<u>Increases in consumer spending due to:</u>	
Wage increases	110	Imports from USSR	231
Higher prices to farmers	384	Industrial consumer goods output	950
Increased social insurance payments	59	Output of handicrafts	283
Increases in physicians' salaries	20		
Increases in pensions	115		
Tax reductions to private enterprises	650		
Loans to private sector	70		
	<hr/>		<hr/>
Total	1,408	Total	1,464

a/ Premier Grotewohl, address to Central Committee of the Socialist Unity Party, July 29, 1953.

At the end of October 1953, the East German authorities reduced the prices of unrationed goods by perhaps 10 - 15 per cent. ^{1/} A full evaluation of this cut is not yet possible. Since increases in money incomes may be matched by increases in the availability of consumer goods, reductions in construction and in Soviet occupation costs (by 350 million east marks) and the cessation of reparations payments in 1954 may make it possible for East Germany to maintain consumer equilibrium in 1954 without an increase in the currency in circulation. In announcing the price cut, the Prime Minister spoke of the possibility of abolishing rationing during 1954. If, in fact, the cessation of reparations payments leads to increases in consumer goods output rather than simply to more investment, and if the note circulation continues to be stable, such an outcome should not be surprising. For in this case, the increased retail spending will not be accompanied by increased note issue, but rather by increased velocity of turnover, so that cash balances which might in the past have been excessive will become only sufficient to enable consumers to finance current transactions.

^{1/} According to Grotewohl's speech to the Central Committee of the Socialist Unity Party on October 26, 1953, "savings" to the population from the price cut were DMO 540 million, out of a total retail turnover which may tentatively be estimated at about 29 billion (27.4 in the 1953 plan plus 1.5 in the July concessions) for the year. It is not clear over how long a period the "savings" were to be realized, or what portion they might be of total spending on unrationed goods. The estimate here given is based on an examination of the price reductions on individual commodities.

Statistical Appendix

Note on price indices - The price indices used in this paper are based upon interzonal cost-of-living comparisons made by Charlotte Otto-Arnold for September 1950 1/ and brought up to date since then 2/. These cost-of-living studies are made for three different income levels, on the basis of family-budget data for West Germany. It is necessary, therefore, to assume in using them that the distortion of prices and consumer habits in East Germany has not proceeded so far that East German consumers of a certain level of real income wish to spend their incomes in a markedly different fashion from those in the Federal Republic.

The indices show clearly the impact of multiple pricing on different income groups. Thus in September 1950, the cost-of-living for low-income families was 98 per cent of that of low-income families living in West Berlin. However, the cost-of-living of high-income families in East Germany was 199 per cent of that of high-income families in West Berlin. This differential is less than the differential between rationed and unrationed prices, because high-income families made some purchases at rationed prices. It was assumed that low-income families purchased only rationed goods, and that all the purchases made by high-income families above the levels of purchases by low-income families were in unrationed goods stores. On this basis, the actual spread between the two price levels was computed by ~~comparing~~ the amount spent by high-income families in the two areas on goods which they purchased and which low-income families did not. This computation indicates that East German unrationed goods were 287 per cent as expensive as similar goods sold in West Berlin, and therefore 293 per cent as expensive as rationed goods in East Germany.

Similar computations were made for December 1951 and December 1952 on the basis of the comparisons in Wochenbericht. For the intervening periods, it was necessary to compute an index of unrationed prices on the basis of price quotations for individual commodities. These have been periodically given in Ostchronik. The prices given for 1950 are not always comparable to those given in 1951-1953, and it was therefore necessary to make two series, the first, for 1950, of seventeen commodities, and the second, for 1951-1953, of twenty-three. These were then spliced to the three cost-of-living comparisons cited above. The weights used were the quantities consumed by high-income families only 3/ in Arnold's basic study. The price indices appear to coincide closely with the Wochenbericht series.

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- 1/ Ein Vergleich der Lebenshaltungskosten in den beiden deutschen Waehrungsgebieten fuer Herbst 1950, Vierteljahreshefte zur Wirtschaftsforschung, 1951, No. 1.
2/ Wochenbericht, February 13, 1953.
3/ Total consumption by high-income families minus consumption by low-income families.

A problem arises in using price data of this sort to deflate the data on trade turnover to obtain a series on the volume of consumption. In December 1952 the cost of living of high-income families was 90 per cent of the September 1950 level, that of middle-income families was 98 per cent of the September 1950 level, and that of low-income families was 119 per cent of the September 1950 level. Which of these was most appropriate to use?

Such a question could be answered only from a knowledge of the actual average income of an East German family. According to Table 2, retail sales per wage earner per month were 255 marks in 1952, while the expenditures of the low-and middle-income families in the cost-of-living study in December 1952 were, respectively, 176 and 434 marks. This fact suggests that the average income in East Germany was closer to "low" than to "middle". While the average family may have more than one person working, their income may not be correspondingly larger than 255 marks, because this figure of 255 has not been adjusted to take into account expenditures of people who receive non-wage incomes (farmers, government officials, etc.). Moreover, the average family income of refugees arriving in the Federal Republic from East Germany in July 1952 (which would probably be above the general average), was only 400 marks. ^{1/} It seems likely, therefore, that the average family in East Germany probably had an increasing cost of living from 1950-1952, but this increase was probably somewhat less than the increase in the cost-of-living index for low-income families given by the DIW.

^{1/} Stephanie Münke, Symptomatische Aussagen über wirtschaftliche und soziale Verhältnisse in der Sowjetzone 1952, miscellaneous publication No. 19 of the Deutsche Institut für Wirtschaftsforschung, Berlin, 1953.

Table 1

Notes in Circulation Outside of Banks in East Germany
1948 - 1953
(In millions of east marks)

1948 - December 31	3382
1949 - December 31	3288
Average <u>a/</u>	3247
1950 - June 30	3052
December 31	3363
Average <u>a/</u>	3207
1951 - June 30	3362
December 31	3331
Average <u>a/</u>	3467
1952 - June 30	3300
December 31	3353
Average <u>a/</u>	3289
1953 - June 30	3526

a/ For 1949, average of data for ends of last two quarters (data on the first half year not being available); for other years, average of end-of-quarter data.

Source: Reports of the Deutsche Notenbank, as tabulated by the Deutsche Institut für Wirtschaftsforschung.

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Table 2

Indices of East German Consumer Income,
Spending and Currency Holdings

1949 - 1953

	1949		1950		1951		1952		1953	
	actual	plan	actual	plan	actual	plan	actual	plan	actual	plan
Retail trade, billions of east marks a/ 1950 equals 100	13.6	15.5	16.9	20.6	21.7 ²	24.2	24.7	24.0 ²	27.4	27.4
	80.3 b/	91.8 c/	100.0	121.8 d/	125.5 c/	143.1 f/	146.2	146.2	162.3 g/	162.3 g/
Total wage earners, millions 1950 equals 100	6.2 h/	6.5 h/	6.4 i/	6.7 j/	7.2	7.4 f/	8.1	8.1	8.2 g/	8.2 g/
	96.9	101.5	100.0	104.7	113.0 k/	115.6	126.0 l/	126.0 l/	128.1	128.1
Average wages, 1950 equals 100	88.4 b/	n.a.	100.0	111.4 d/	113.1 k/	n.a.	119.9 l/	119.9 l/	128.3 g/	128.3 g/
Wage payments, 1950 equals 100	85.7	n.a.	100.0	116.7	127.0	n.a.	148.0 l/	148.0 l/	164.3	164.3
Monthly retail sales per wage earner, east marks 1950 equals 100	183	198	220	256	244	272	255	255	278	278
	83.1	90.0	100.0	116.3	110.9	123.6	115.9	115.9	126.4	126.4
Currency outstanding per wage earner, in east marks	523	501	501	465	465	407	407	407	430	430
Currency outstanding in months of retail transactions	2.9	2.3	2.3	1.9	1.9	1.6	1.6	1.6	1.5	1.5

See Footnotes on page 16.

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Footnotes to Table 2

- a/ Leuschner, in his speech of October 2, 1953 to the Council of Ministers, gives the 1951 and 1952 figures. The others are derived from the index.
- b/ The State Planning Commission report for 1950.
- c/ Ostchronik, No. 2 H/1, says the 1950 plan called for a 14.4 per cent increase in turnover.
- d/ Rau, speech of March 14, 1951 to People's Chamber.
- e/ State Planning Commission report for 1951.
- f/ Rau, speech of February 6, 1952, to People's Chamber.
- g/ Leuschner, speech of December 11, 1952, to Council of Ministers; employment figure refers to socialized sector only.
- h/ The 1949 figure is estimated. According to the handbook Deutschland in Zahlen (Wagenführ, Brzosniowsky, ed., Köln, 1949), page 23, Soviet zone employment was slightly under 6.0 million in late 1947, and rose to 6.1 million in the third quarter of 1948. There was probably little change in 1949, as the investment program did not get under way until later. The 1950 plan called for an increase of 250,000 in employment, according to Ostchronik No. 2 M/2.
- i/ Ulbricht, in his report of December 31, 1951 on the five-year plan, gave data indicating that 1955 employment of wage earners was planned at 10.8 per cent above 1950 levels. Ostchronik, No. 5, M/20, states that the revised level of employment planned for 1955 was 7.1 million. From these figures, 1950 employment can be deduced.
- j/ Planned increases reported in Ostchronik, No. 5, M/4.
- k/ Leuschner, speech of October 2, 1953, op.cit.
- l/ Rau, speech of May 16, 1953 to the Central Committee of the Socialist Unity Party.

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Table 3

Price Indices in East Germany
1950 - 1953

	Rationed goods prices <u>a/</u>	Unrationed goods prices	Unrationed goods prices as per cent of rationed goods prices <u>f/</u>
	(September 1950 equals 100)		
1950 - Before July 17	100	134.6 <u>b/</u>	394
July 17 - Sept 4	100	116.5 <u>b/</u>	341
After Sept 4	100	100.0 <u>c/</u>	293
Year	100	121.4	356
1951 - I Quarter	103	105.0 <u>d/</u>	299
II Quarter	107	97.7 <u>d/</u>	267
III Quarter	110	96.8 <u>d/</u>	258
IV Quarter	114	83.6 <u>c/</u>	214
Year	109	92.6	249
1952 - I Quarter	115	86.7 <u>d/</u>	220
II Quarter	116	85.0 <u>e/</u>	214
III Quarter	117	83.2 <u>d/</u>	208
IV Quarter	118	81.1 <u>c/</u>	201
Year	117	83.4	208
1953 - I Quarter		80.6 <u>d/</u>	
II Quarter		80.2 <u>d/</u>	

a/ For September 1950, December 1951 and December 1952 these indices are the cost of living of low-income families, as reported in Wochenbericht, February 13, 1953. In 1950, it has been assumed that rationed goods prices were constant. Other data are interpolations.

b/ Average of seventeen commodities, the prices of which are quoted in Ostchronik for the year 1952.

c/ Based on expenditures by high-income families for goods not purchased by low-income families, as reported in Wochenbericht, February 13, 1953. The corresponding figure for the 23-commodity index for the last quarter of 1952 is 80.7.

d/ Twenty-three commodities the prices of which are quoted in Ostchronik for the period 1951 - 1953.

e/ Interpolated. between

f/ Based on the difference / prices of goods purchased by low-income families, and those of goods purchased by high-income families only, West Berlin prices of 1950 being taken as a base.