STUDIA HISTORIAE OECONOMICAE
UAM Vol. 44/1 Poznań 2026
zhg.amu.edu.pl/sho

Damian Bębnowski (*University of Lodz; Institute of National Remembrance, Poland*)
https://orcid.org/0000-0002-9465-1159
damian.bebnowski@uni.lodz.pl

"SLOWING DOWN TRANSITION" POLAND VS. EAST GERMANY, 1980–1990: FIRST FINDINGS

https://doi.org/10.14746/sho.2026.44.1.006

Abstract: This study investigates the trajectories of property rights transformation in Poland and East Germany (GDR) between 1980 and 1990 through the lens of the proposed concept of the *slowing down transition* (SDT). While the literature on transition economics extensively analyzes systemic change in Central and Eastern Europe, the notion of SDT—as an institutional and political attempt to inhibit or delay the shift "from plan to market"—remains unexplored. Drawing on an analysis of institutional changes, as well as comparative economic history, the study examines how SDT manifested in both countries at the stage preceding or accompanying the critical systemic transition. The study is based on an analysis of normative acts and institutional reforms introduced by communist governments, the opposition, and transitional authorities. In Poland, early signals of property transformation appeared as early as the 1970s, followed by more substantial reforms in the 1980s, including worker self-government laws and later "*nomenklatura* privatization." The Messner government displayed the strongest symptoms of SDT, attempting to safeguard elite interests and centralize reforms. However, from 1988 to 1989, Poland shifted toward liberalization, marking the onset of full systemic transition. In contrast, the GDR maintained a more dogmatic economic model, with SDT becoming particularly visible in 1990 through the creation and operation of the first *Treuhandanstalt* (UrTHA), which aimed to preserve social property and prevent privatization. Only the de Maizière government's reforms and the conditions of German reunification—grounded in the extension of West German constitutional and property rules—overcame SDT and enabled rapid marketization. The study's originality lies in introducing SDT as an analytical category for economics and economic history that enriches the understanding of late communist economic reforms and divergent transition paths. The comparative perspective demonstrates how differences in political constraints, elite strategies, and external pressures shaped institutional transformation, including property rights, and the timing of systemic change.

Keywords: slowing down transition; property rights as institution; systemic transition; Poland; East Germany

1. CONTEXT AND RESEARCH PROBLEM

Transition economics[1] is a rapidly growing stream of economic research that grew out of the analysis of the transformation of centrally planned economies in the Eastern Bloc in the 1980s, followed by their transition "from plan to market" in the 1990s. Today, transition economics studies successive groups of reforming countries embarking on the path of democratization and marketization ('The Transformation Index', 2026).

Due to its chronology, pace, and scope of the reforms, the transition of the Polish economy after 1989 has attracted significant research attention as a subject of comparison with other Central and Eastern European (CEE) countries. East Germany, by contrast, is typically overlooked in this group because of the incorporation of the German Democratic Republic (GDR) system into the institutional order of the Federal Republic of Germany (FRG) at the time of German reunification in 1990. The East German economy adopted ready-made and proven West German rules of the game (Bębnowski, 2022). Nevertheless, in all CEE countries, including Poland and the GDR, property transformations played a special role at the time (Tucker-Mohl, 2005: 2; Skodlarski, 2014: 544–548).

This paper compares the main directions of change in the property rights institution in Poland and the GDR between 1980 and 1990 in the context of the "slowing down transition" (SDT). I situate property rights within the categories of formal (North) and economic (Acemoglu & Robinson) institutions, which, during the systemic transition, were shifting from an extractive to an inclusive form (Acemoglu & Robinson). This shift occurred as a result of a change in the relationship between *de jure* and *de facto* rules (Voigt): from declarative enforcement under communism to practical enforcement under capitalism.[2] To this end, I review selected Polish reforms in the 1980s that ultimately led to the initiation of deep liberaliza-

[1] The author would like to thank all the participants of the following academic conferences for their comments on the first drafts: XIX World Economic History Congress (WEHC, 25–29.07.2022, International Economic History Association (IEHA), L'École des hautes études en sciences sociales (EHESS), Paris School of Economics, Association française d'histoire économique, Le Centre national de la recherche scientifique, UNESCO), Central European Congress of Economic History: Modernization Processes in "Younger Europe" (28–29.11.2022, University of Rzeszow, Poland), and XX WEHC (28.07.–01.08.2025, IEHA, Lund University).

[2] I use here the classification of institutions by Douglass C. North, Daron Acemoglu & James A. Robinson, and Stefan Voigt (Bębnowski, 2022: 38–43).

tion and "shock therapy." In the case of the GDR, it is important to highlight the genesis of the property changes that occurred just prior to reunification, with a particular focus on the creation and operation of the first Trust Office (*Treuhandanstalt*, THA) in 1990.

2. "SLOWING DOWN TRANSITION"

The concept of SDT is not found in transition economics. Based on a review of the literature, the concept of "critical slowing down" (CSD) emerged in the natural sciences, denoting early warning signals of a system that are characterized by a weakening of stability and a slower return to equilibrium. It precedes a "critical transition" (CT) or "regime shift" (RS), which is a sudden, abrupt, and complex change of the system after the critical point ("tipping point," TP) is passed. A CT/RS can end with a new equilibrium under different conditions for the new system.

In medicine, CSD serves as an early warning signal that a person's biological system has mildly deteriorated, preceding a more serious health crisis that constitutes a CT/RS. This state requires pre-emptive medical intervention. In physics, the same terms describe a system that, as it approaches a critical point (TP), slows down when returning to equilibrium (CSD). The forces restoring equilibrium weaken, signaling an impending rapid change (CT/RS). Similar dynamics can be observed in fields such as ecology. Other disciplines employ similar definitions tailored to their specific subject of study.

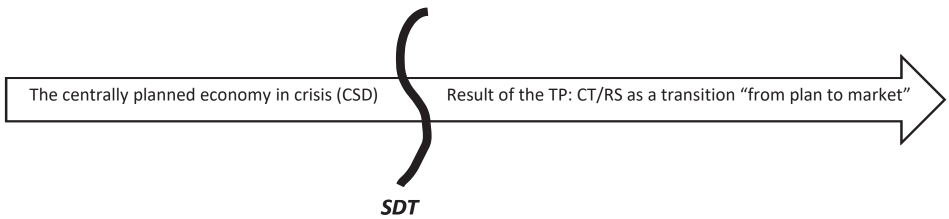
In economics, these concepts denote an economy's increasing stagnation or slower recovery from perturbations (CSD) as it approaches a critical point (TP), such as a recession. This framework may result in a regime change (CT/RS), namely a transition. I refer here primarily to systemic transition, which includes, among other things, economic transition (Kaczmarek, 2012: 10).

A CSD or CT/RS perspective is valuable for analyzing both contemporary markets (see, e.g., Diks, Hommes and Wang, 2019) and the economic history of crises (cf.: Mendelson, 1959–1966; Łukasiewicz, 1967; Rosier and Dockès, 1987; Morawski, 2003; 2021). This study, however, seeks to identify something additional, outlining the core research questions without their material content, rather than providing definitive answers.

In economic terms, SDT denotes a relative transition or transitional phase, characterized by final attempts to maintain and reform, rather than liquidate, the communist regime and its socio-economic and political system. It represents an intermediary stage between the reformed centrally planned economy and the actual transition to a free market economy. It can also be viewed as a desperate attempt to undo the transition "from plan to market," which *de facto* may have already begun. Consequently, the CSD and CT/RS mechanisms reflect the deepening structural crisis of the system, to which the communists responded with various economic reform programs. By contrast, SDT captures the desperate attempts of the communist elites to defend the *status quo* in the last stage of the failing system (CSD) just before the collapse (TP) and the proper transition (CT/RS).

Due to its indirect and fluid nature, SDT is difficult to capture in individual transition economies, if it occurred at all. A graphical representation of this phenomenon is approximated in Figure 1.

Figure 1: Slowing down transition (SDT)



Source: Own elaboration.

In contrast to Figure 1, economic transition is rarely a linear process; rather, it involves numerous improvisations, directional changes, and varying dynamics. SDT is preceded by the final collapse of the communist system and the initial breakthrough stage of transition (TP), which encompasses economic stabilization and liberalization, preparations for the actual systemic transition, and the phasing out of old organizations, such as economic planning offices. This initiation phase is followed by the second, essential stage—systemic change (CT/RS). The transition creates a new institutional order, and ad hoc organizational solutions must be avoided. This requires not only social acceptance, with the state acting as coordinator of the transition, but also a change in the state system, making the state the object of the transition.

In this context, the potential resistance of existing elites remains a clear problem. At the same time, the internal contradiction of a liberal transition—or the transition towards a liberal economic model—becomes apparent: the market must be "built," the middle class "created," and the property structure "transformed." It is difficult to avoid the clear tension between the idea of spontaneous order (Hayek) and the concept of established order (Eucken) (Grabska, Moszyński and Pysz, 2014; Pysz, Grabska and Moszyński, 2014ab), yet both types of order are important during a systemic transition (Leipold, 1997).

Crucially, the communist state itself plays an active role in initiating the transition, though not with the goal of eliminating the socialist system *sui generis*. Rather, SDT represents a last desperate attempt to return to the "third way" program—reforming the old system with elements of democratization and marketization (Šik, 1972)—even though these reforms have failed and the structural crisis has deepened.

Consequently, SDT does not mean the premises of the crisis itself (CSD), the critical point (TP), the change of the system (CT/RS), or a gradual, evolutionary transition. Instead, it signifies the institutional, systemic inhibition, postponement, delay, denial, questioning, or rejection of the transition actively driven by the communist elites and state structures. Meanwhile, the literature usually focuses on (1) reforming the system (the "third way") in the 1980s while keeping the opposition out of power (seeking to initiate the transition), or (2) temporarily holding back liberal reforms, moderating their implementation, and making concessions due to rising social costs and pressure from interest groups such as trade unions, which occurs during the proper transition.

The range of potential causes of SDT is broad, from both the theoretical and the empirical sides. A primary factor was the resistance of the communist elites, which resulted from their fear of losing power, influence, privileges, and social position—the source of political rent seeking, as maintaining a powerful, bureaucratic, and centralized state was in their interest. The new circumstances also created a fear of alienation among the *nomenklatura* by actors changing the institutional order. These opposing forces emerged both internally, through movements like Solidarity in Poland, and externally, via the economic dominance and political pressure exerted by West Germany on the GDR.

Because the structure of the ruling apparatus hierarchical, its efforts to hinder the transition manifested as (1) informal structures and relationships; (2) an informal agreement between the "old" bureaucracy and the "new" political class (the "bureaucratic-political complex"); (3) a lack of state control over officials' arbitrary interpretation of regulations; and (4) a drive to re-statization the economy.

The regime opted for SDT to protect itself from possible social and re-privatization claims. As a result, the transition was heavily politicized, the primacy of the state over the economy was maintained, and state authorities tightly controlled transactions at the interface between state and economic institutions. The elites sought to maintain the directive nature of central planning, the hierarchical organization of the economic structure, and unified state (social) property. In the last case, the role of an overarching body safeguarding and representing the interests of the state was paramount. These institutional dysfunctions became more widely visible only later, during the transition period, resulting in the systemic distortions noted in the literature, such as the "rationed revolution," the enfranchisement of the *nomenklatura*, or post-communism (cf. Bałtowski and Miszewski, 2006: 21–121).

3. THE BEGINNINGS OF PROPERTY TRANSFORMATION IN COMMUNIST POLAND

The first efforts to reform the property order in Poland emerged in the 1970s amid the growing structural (systemic) crisis of the centrally planned economy. However, the identification of the CSD simply strengthened the system rather than revising it. The February 10, 1976, amendment to the 1952 Constitution of the Polish People's Republic (*Polska Rzeczpospolita Ludowa*, PRL) proceeded in two ways. First, it defined the PRL as a socialist state where the Polish United Workers' Party (*Polska Zjednoczona Partia Robotnicza*, PZPR) held a dominant role while remaining friendly with the USSR and other socialist countries. The PRL reinforced "social property as the main basis of the country's economic strength and the nation's prosperity." The basis of its social and economic system comprised "the socialist economic system, based on socialized means of production and socialist relations of production." The state monopoly on foreign trade was maintained, and state property was subject to special protection by the state and its citizens.

Second, the amendment introduced a constitutional guarantee of worker participation in the management of state enterprises. The "socialist transformation of the countryside" guaranteed protection and support for individual farms, as well as agricultural self-government and cooperatives. Nevertheless, support for the socialized sector in agriculture remained paramount, leaving the non-socialized sector subject to state control (Dz.U. 1976, No. 5, item 29).

Between 1980 and 1981, during its initial period of open operation before being banned and driven underground under martial law, Solidarity proposed several changes regarding the directions of the socio-economic reform, including property-related matters. Activists demanded that strategic planning be conducted in consultation with parliament, local governments, social institutions, and trade unions while arguing that the independence of enterprises should be increased. Furthermore, the authorities were urged to ensure equal development conditions for all property sectors, and to support the development of individual agriculture, private services and crafts, and cooperatives. In order to implement certain elements of the market, the system was to be transformed into a "planned-market economy"—a concept resembling the "third way." Alternative projects were drawn up by other circles, such as academic economists (see more: Grala, 2004, 2005; Luszniewicz and Zawistowski, 2008; Tanewski, 2014; Koryś and Tymiński, 2016; Wołk, 2021–2022).

The communists attempted to undertake some reforms, though not always in the spirit of social demands. During the first stage of the economic reform, spanning from 1981 to 1987, the government's Commission for Economic Reform, headed by Władysław Baka, played a central role. This body initiated institutional changes that culminated on September 25, 1981, with the passage of two statutes: the Law on State-Owned Enterprises and the Law on the Self-Governance of the Workforce of State-Owned Enterprises. The former allowed state-owned enterprises to operate independently, self-govern, and self-finance (the 3S reform), in accordance with the goals of the socio-economic plan. In doing so, establishments were to strive for economic efficiency (Dz.U. 1981, No. 24, item 122). The latter regulated the powers of employee self-governing bodies of state-owned enterprises in areas such as profit distribution to the workforce, setting enterprise plans, directing investments, managing company and social housing, establishing labor regulations, calling referendums, appointing enterprise management, and offering advisory opinions on various enterprise matters (Dz.U. 1981, No. 24, item 123).

The period of martial law between December 1981 and July 1983 prompted the centralization and militarization of the economy. During this period, operational freedoms for enterprises were restricted and fully subordinated to state policy. Although several prior reforms were suspended, it continued to introduce additional laws on planning, corporate finance, prices and taxes, banking, and foreign trade (Kaliński and Landau, 1998: 331–332). Even in the final days of martial law, an amendment to the Constitution on July 20, 1983, extended further protection for individual farms by designating them as permanent, family-owned operations (Dz.U. 1983, No. 39, item 175).

The fundamental directions of the first stage of the economic reform continued almost until the end of the decade. By all proportions, it can be seen that under the conditions of CSD, the opposition and the government followed to some extent a similar direction in reforming the existing socialist system. Both sides supported the need for change, but Solidarity criticized the government for being too superficial and limited. However, between 1984 and 1988, the systemic crisis of the economy deepened, accompanied, among other things, by more and more numerous and bolder demands for property changes (Bałtowski and Miszewski, 2006: 134–136, 139–141, 157–161).

The second stage of the economic reform, spanning from 1987 to 1989, was more strongly overseen by the government amid dwindling public support. At the same time, there was a clash between competing projects within the communist leadership. In this context, the government of Zbigniew Messner (November 1985 – September 1988) can be assessed as taking relative SDT-oriented measures. This was manifested in "*nomenklatura* privatization," which involved enfranchising members of the communist elites in the new socio-economic reality and protecting their *status quo*. The creation of private "*nomenklatura* companies" from the assets of state-owned enterprises was possible on the basis of the law of October 23, 1987 (Dz.U. 1987, No. 33, item 181) and the government ordinance of February 8, 1988 (Dz.U. 1988, No. 6, item 51). As a result, by the end of 1989, there were about 3,500 commercial law companies in Poland involving state-owned enterprises (Kaliński, 2017: 91–92). Furthermore, on May 11, 1988, an ad hoc law granting the government extraordinary powers and authorizations to coordinate economic reform in a more centralized manner was passed. It was intended to remain in force temporarily until the end of 1988 (Dz.U. 1988, No. 13, item 98).

In the second half of the 1980s, the concept of CSD was no longer applicable because Poland's economy entered a phase of even deeper structural crisis—which eventually led to the collapse of the communist regime in 1989 (TP). While Solidarity, still operating underground, was moving toward gradual reforms of the system and phased marketization (albeit independently of the regime), the communist regime increasingly manifested a move toward SDT in the form of "*nomenklatura* privatization." Two factors contributed to this: an external factor, namely Mikhail Gorbachev's policies in the USSR and the disintegration of the Eastern Bloc, and an internal one, the structural crisis.

Between October 1988 and September 1989, the goal of Mieczysław Rakowski's government was to expand the second stage of the economic reform, but through a clear turn toward marketization and privatization. The Mieczysław Wilczek law played a central role in this process by liberalizing the conditions for establishing private enterprises. It was supplemented by the law on economic activity with foreign capital participation (both dated December 23, 1988) (Dz.U. 1988, No. 41, item 324; Dz.U. 1988, No. 41, item 325). The Treasury was made a shareholder in state-owned enterprises, and the banking system was reformed (laws of January 31, 1989) (Dz.U. 1989, No. 3, item 10; Dz.U. 1989, No. 4, item 21; Dz.U. 1989, No. 4, item 22).

Following the introduction of new income tax laws and regulations, the rules and rates for collecting the tribute were unified regardless of the form of property (laws of January 31, 1989) (Dz.U. 1989, No. 3, item 12; Dz.U. 1989, No. 3, item 13). Foreign currency ownership and the establishment of private exchange offices were permitted (law of February 15, 1989) (Dz.U. 1989, No. 6, item 33). The law of February 24, 1989, on certain conditions for the consolidation of the national economy increased the coordination of privatization of state-owned enterprises by the government, strengthened the increasingly socially uncontrollable "*nomenklatura* privatization" (Dz.U. 1989, No. 10, item 57), despite attempts to curb these abuses with certain provisions of the anti-monopoly law of February 24, 1990 (Dz.U. 1990, No. 14, item 88). *De jure*, this meant a reduction in SDT; however, the nature and direction of the reforms adopted *de facto* entrenched the enfranchisement of the *nomenklatura* and social inequality.

During the Round Table talks between the communists and the opposition Solidarity movement from February to April 1989, the concept of a gradual transition "from plan to market" emerged. In the economic dimension, the main demands focused on addressing chronic consumer shortages, improving living conditions, combating inflation, protecting labor and employment, introducing self-government through worker participation, promoting a diversified property structure, and developing competition. The activists also demanded the professionalism and competence of managers in enterprises, the construction of a new economic order, enhanced supervision of state-owned enterprises, the liquidation of unprofitable enterprises, and the abolition of intermediate structures and central unions in cooperatives. Furthermore, the proposals called for the demonopolization and deregulation of the economy, the expansion of economic freedom, a reduction of state interference, the creation of a stock exchange, the transparency of information through the dissemination of statistical data, a reduction of the party *nomenklatura*, and the reduction of state debt. It remains unclear how much of this was due to Solidarity's cautious stance or the idea of social solidarity, and how much was due to pressure from the communists within SDT (Bałtowski and Miszewski, 2006: 342–344).

After the elections to the Contract Sejm (June 4, 1989) and the formation of Tadeusz Mazowiecki's government (September 1989 – January 1991), there was a decisive turn toward "shock therapy" and the full liberalization of the economic system, including property transformations. The Office of the Government Plenipotentiary for Ownership Transformations was established (September 25, 1989). The core of Poland's social and economic transition was based on Leszek Balcerowicz's plan, which consisted of a package of ten laws dated December 27–29, 1989 (see list of laws: Bałtowski and Miszewski, 2006: 170, 345–348), which was supplemented by an anti-monopoly law dated February 24, 1990 (Dz.U. 1990, No. 14, item 88).

In parallel, the constitution was amended, guaranteeing freedom of economic activity in all property sectors, the protection of property and inheritance, and allowing expropriation only for public purposes with compensation (December 29, 1989) (Dz.U. 1989, No. 75, item 444). Of additional importance were the laws on the demonopolization of cooperatives (January 20, 1990) (Dz.U. 1990, No. 6, item 36), the privatization of state-owned enterprises (July 13, 1990) (Dz.U. 1990, No. 51, item 298), insurance activity (July 28, 1990) (Dz.U. 1990, No. 59, item 344), and the amendment of the law on land management and expropriation of property (September 29, 1990) (Dz.U. 1990, No. 79, item 464). At this point, the systemic transition in Poland had entered a decisive phase.

4. THE BEGINNINGS OF PROPERTY TRANSFORMATION IN THE GDR

Compared to Poland and the entire Eastern Bloc, the GDR's institutional system was dogmatic. The economy was characterized by stagnation (CSD), to which the communists responded not with a program of reform but with ad hoc measures that effectively deferred the crisis to ensure social stability (Cziomer, 1997: 263–267). However, this did not constitute a manifestation of SDT. Despite the activity and demands of the anti-communist opposition, meaningful changes in property began only in the late 1980s. Significantly, opponents of the regime advocated maintaining the GDR's separate statehood from West Germany (cf. Jaskułowski, 2007; 2010; Mazur, 2015).

The first regulations reforming East Germany's state and cooperative property sectors were introduced between 1989 and 1990 (Pohl, 1992: 144–148). This legislative progression began with a decree issued on January 25, 1990, which regulated the flow of foreign investment into the country, although it still barred the privatization of state-owned enterprises (GBl.-DDR, Part I, 1990, No. 4). This was quickly followed by the law of March 7, 1990, which established the legal framework for creating private enterprises (GBl.-DDR, Part I, 1990, No. 17). It culminated on June 17, 1990, with a constitutional amendment that introduced partial protection to private property used in the means of production (GBl.-DDR, Part I, 1990, No. 33b).

However, the Marxist concept of the "third way" clearly aimed to reform—not abolish—the socio-economic system, strengthening SDT. Interpretations of the economic policy pursued by the Hans Modrow government, which held office only from November 1989 to April 1990, therefore diverge. Some note its resistance to the liberalization and marketization of the GDR economy, reflecting the communist elites' desire to maintain the *status quo*. Others, particularly from January 1990 onward, highlight its pragmatism as a transitional government before the full implementation of the West German institutions and German reunification (Sinn, 1992: 104; Fischer and Schröter, 1993: 29–30).

From the perspective of SDT, the most important development within the framework of property transformation was the establishment of a central authority to manage social property. In doing so, policymakers drew on models from Hungary, where the Property Agency (*Allami Vagyonügynökség*) was in place (Brunner, 1991: 212–213). Accordingly, the decree of

March 1, 1990, established the THA (later referred to as *Ur-Treuhandanstalt*, UrTHA, i.e., the "Original Trust Office"), which, as a trustee, was entrusted with supervising all public property, except for cities, municipalities, and areas where state-owned enterprises were to be established, as well as assets used by agricultural cooperatives. Operating under government supervision until the adoption of a new constitution, the UrTHA was tasked with protecting, safeguarding, and preserving (*Wahrung*) public assets, although it was not granted decision-making powers (GBl.-DDR, Part I, 1990, No. 14a). On the same day, a further decree provided for the "conversion" of combinates and most state-owned enterprises into capital companies ("corporations") under the UrTHA—namely, limited liability companies (*Gesellschaften mit beschränkten Haftung*, GmbH) or joint stock companies (*Aktiengesellschaften*, AG) (GBl.-DDR, Part I, 1990, No. 14b). Subsequently, the statute of March 15, 1990, placed the Office under the authority of the People's Chamber (GBl.-DDR, Part I, 1990, No. 18).

The UrTHA took control of 8,000 state-owned enterprises consisting of 45,000 plants. Converting these enterprises into capital companies for marketization still maintained the state's dominant position as the rightful owner. Any privatization required the approval of the People's Chamber, which hampered decision-making efficiency and limited the process to some of the small enterprises that had been nationalized in 1972. By April 30, 1990, only 75 entities had been converted into capital companies (Bębnowski, 2022: 264).

The denationalization of the economy, the restructuring of state-owned enterprises, and the protection of social property defined the UrTHA's core mandate. This took the form of the "corporatisation of nationally-owned enterprises" (Spangenberg, 1998: 123–124), which served as "a desperate attempt to prevent the privatization of state owned property" (Sinn, 1992: 104). Communist property was to operate under partially market conditions, which resulted in the practical implementation of the "third way" concept (Sinn and Sinn, 1992: 96).

The situation changed fundamentally after the GDR parliamentary elections of March 18, 1990. These elections led to the formation of another short-lived government (April 1990 – October 1990), this time under Lothar de Maizière, which made a clear turn toward marketization, privatization, and unification with the FRG, evidently weakening SDT. Due to FRG's political and macroeconomic superiority, its formal institutions—especially its constitutional rules and property rights—served as the foundation for this systemic overhaul. The key provisions for property transformations were found in the main unification documents: the *Treaty Establishing a Monetary, Economic, and Social Union* (May 18, 1990) (BGBl., Part II, 1990, No. 20) and the *Unification Treaty* (August 31, 1990) (BGBl., Part II, 1990, No. 35c). These treaties conditioned reunification in detail, stipulating the incorporation of the GDR into the FRG on October 3, 1990 (TP) by extending the legal force of the FRG constitution to GDR territory. The constitutional and property rules were fundamental to East Germany’s systemic transition and the unification, integration, and convergence of the two parts of Germany (CT/RS) (Bębnowski, 2022: 65–76, 109–123, 201–211).

The de Maizière government’s change of course and the conclusion of the *Treaty Establishing a Monetary, Economic, and Social Union* made it possible to reform the key state body responsible for social property (Bębnowski, 2022: 265). Under the law on the privatization and reorganization of nationally owned assets of June 17, 1990, a new THA was established. The new regulations aimed to quickly and extensively restructure the state’s economic activity through privatization, ensure the competitiveness of enterprises, protect existing jobs while creating new ones, and secure land for economic activity. The newly reorganized body was tasked with overseeing the privatization and reorganization of national assets based on the social market economy model, thereby promoting structural economic efficiency.

The THA was supervised by the government and answerable to the People’s Chamber (GBl.-DDR, Part I, 1990, No. 33a). With the exception of railroad and postal infrastructure, the administrative and financial assets of local and regional GDR authorities, and the housing stock management corporations that came under the management of central or regional authorities, the THA supervised most national assets: state-owned enterprises, combines, and the administrative and financial assets of the *Stasi* (secret police) and the GDR army (Brücker, 2005: 125–126).

On July 16, 1990, the new THA replaced the UrTHA and was responsible for the privatization, re-privatization, and reorganization of state property in the GDR and, after reunification, in the new federated states. It functioned until the end of 1994. On January 1, 1995, its role was taken over by the Federal Office for Special Unification Tasks (BGBl., Part I, 1994, No. 54; BGBl., Part I, 1994, No. 92a; BGBl., Part I, 1994, No. 92b; BGBl., Part I, 1994, No. 92c). Together with other government agencies and companies, it was tasked with completing the privatization process (Bös, 1997).

Additional privatization regulations were subsequently enacted, including the East German law on the property of municipalities, cities, and districts (the municipal property law) of July 6, 1990 (GBl.-DDR, Part I, 1990, No. 42), the law on special investments in the GDR (BGBl., Part II, 1990, No. 35a) and the law on the regulation of open property issues (property law) (BGBl., Part II, 1990, No. 35b). Both were dated September 23, 1990, and were incorporated into the *Unification Treaty*, and the law on the removal of barriers to the privatization of enterprises and the promotion of investment of March 22, 1991 (BGBl., Part I, 1991, No. 20; see correction: BGBl., Part I, 1991, No. 54).

The final piece of legislation closed the creation of a comprehensive and compact privatization system (Petz, 1994: 4). These privatization regulations complemented the corresponding re-privatization policies in the (former) GDR, the most important of which were adopted between 1990 and 1994. Over this period, the system moved from a model of priority restitution of assets to the rightful owners toward privileging potential investors—a shift justified by the need to develop the Eastern *Länder* (see, e.g., Opitz, 1994: 74–75; Falkowska, 2011; Moszyńska and Moszyński, 2012: 127–129; Bębnowski, 2022: 255–261, 269). Ultimately, this property transformation was implemented through the inclusion of the GDR (TP) into the tested and established West German institutional system. This began the proper systemic transition of the new federated states (CT/RS).

5. POLAND VS. EAST GERMANY: PROPERTY TRANSFORMATION AND SDT

In Poland, following the constitutional guarantees for worker participation in state-owned enterprises, individual peasant farms, agricultural self-government, and cooperatives in 1976, property issues appeared in Solidarity's demands for economic reforms as early as the early 1980s. Some of these proposed reforms were adopted by the communist regime, but they were severely restricted during martial law. Clear symptoms of SDT occurred during the Messner government, especially in the context of "*nomenklatura* privatization" beginning in 1987, which protected the *status quo* of the elites and reinforced the centralizing direction of the reforms. The Rakowski government, spanning from 1988 to 1989, made a clear turn toward marketization and privatization, while still safeguarding the property interests of the elites. During the Round Table deliberations in early 1989, likely under the influence of the communists themselves, the concept of a gradual transition "from plan to market" prevailed, only to be abandoned by the end of 1989 in favor of the Mazowiecki government's "shock therapy" (CT/RS).

While Balcerowicz's program was introduced in Poland and the actual systemic transition (CT/RS)—which was fraught with controversy and high social costs—began, the economic policy of the communist elites in the GDR was much more dogmatic, showing strong manifestations of SDT. In the 1980s, along with demands for economic reform advanced by the government and the opposition, the need to resolve the issue of reunification and the possible introduction of West German property rights gained significant traction. Against this backdrop, the problem of saving the communist system and/or the sovereign statehood of the GDR emerged. The final attempts to implement the "third way" were made by the Modrow government in late 1989 and early 1990. The strongest manifestation of SDT was the establishment and operation of the UrTHA for several months in 1990, which sought to protect social property. It was not until the de Maizière government in 1990—and under increasing pressure from the FRG—that a clear turn toward marketization and privatization was made, leading to the reform and *de facto* establishment of the THA in a completely new form. The supreme institutional structure was the reunification of Germany (TP) through the implementation of West German formal rules, in particular, constitutional and property rules, which shaped the transition of the Eastern *Länder* (CT/RS).

6. SUMMARY

While the concept of SDT is not yet firmly grounded in economic theory and methodology, it nonetheless appears to be an attractive perspective for economics and economic history. It should be considered in the context of CSD, CT/RS, and TP, which are already established in other disciplines. For example, SDT can be identified and analyzed in theoretical and empirical studies of markets, economic systems, crises, or transitions. A comparative analysis of property transformation and SDT in Poland

and the GDR shows Poland's advantage in terms of initiating institutional change amid the deepening structural crisis of the entire socio-economic system. Property transformation began earlier in Poland, in 1976, and the privatization tendencies were stronger during the 1980s, driven by the demands of the anti-communist opposition. Relative SDT, especially in the context of "*nomenklatura* privatization" and the centralization of reforms, occurred during the Messner government. Conversely, transformation in the GDR hinged on the future shape of reunification and the possible implementation of West German property rights. As a result, a strong SDT emerged in the GDR during 1990, especially under the UrTHA, whereas Poland was already implementing a difficult and socially costly liberal program.

Damian Bębnowski, PhD, historian and economist, assistant professor at the Department of History of Economics, Faculty of Economics and Sociology, University of Łódź and specialist at the Historical Research Office, Institute of National Remembrance, Branch in Łódź. Visiting scholar at the Harriman Institute, Columbia University, New York (2025). Research interests: contemporary history of Poland and the world (19th–21st centuries), economic history, institutional economics, political and socio-economic thought, theory and methodology of the humanities and social sciences. Author of, among others, the book *The Importance of Constitutional Rules and Property Rights: The German Economy in 1990–2015* (Peter Lang Verlag, Berlin 2022), distinguished by the Polish Association of Economic History in the Franciszek Bujak Competition (2024) and by the Fryderyk Skarbek Award of the Polish Academy of Sciences (2025). He is a scholarship recipient of the Ministry of Science and Higher Education (2013, 2026), DAAD (2021), the Kosciuszko Foundation (2024–2025), and winner of several scholarships and awards for academic achievements. He has carried out grants (including MNiSW, NIW-CRSO, Museum of Polish History, and MSZ) and research internships (including PROM NAWA and IDUB-UNIC programs). He has conducted research in the USA (Columbia, Harvard) and Germany (JLU Giessen, Humboldt, Regensburg, RUB Bochum). Lecturer in economic history at Zhengzhou University, China (2021/2022). Vice-President of the Board of the Janusz Kurtyka Foundation in Warsaw. Member of the Polish Association of Economic History. He collaborates with the Ratzingerianum Research Center at Nicolaus Copernicus University in Toruń.

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