

# The Privatization of the GDR Economy (June 17, 1990)

## Abstract

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In June 1990, the GDR *Volkskammer* passed the so-called *Treuhandgesetz* [Trusteeship Law]. It regulated the restructuring of the planned economy into a free market economy and the privatization of state owned property that this entailed. Together with the State Treaty Establishing a Monetary, Economic, and Social Union of May 18, 1990, and the Unification Treaty of August 31, 1990, it formed the basis for the work of the *Treuhandanstalt* [Trusteeship Agency], which was active from 1990 to 1994.

## Source

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### Law on the Privatization and Reorganization of State Owned Property (Trusteeship Law) of June 17, 1990

Based on the intention

- to restore the state’s commercial activity as quickly and extensively as possible through privatization,
- to make as many businesses as possible competitive, thus protecting existing jobs and creating new ones,
- to provide real estate for economic purposes,
- to make it possible, after taking stock of state owned property, its productivity, and its priority usefulness in the structural adaptation of the economy and the stabilization of the national budget, to grant investors a vested right to shares in state owned property for a sum reduced through the monetary conversion of July 2, 1990, the following law is passed:

#### Article 1: Transfer of Property

(1) State owned property is to be privatized. In certain cases to be determined by law, state owned property can also be conveyed to the ownership of local governments, cities, districts, and states, as well as to the public.

State owned property serving local needs or providing local services is to be conveyed by law to local governments and cities.

(2) The Council of Ministers bears responsibility for the privatization and reorganization of state owned property and is accountable to the *Volkskammer*.

(3) The Council of Ministers appoints the Trusteeship Agency to implement the necessary measures.

(4) The Trusteeship Agency is, under the provisions of this law, the owner of shares in capital corporations that will be created, or that have already been created before this law takes effect, through the transformation of state owned combines, enterprises, institutions, and other legally independent economic units (hereinafter “economic units”) registered as state owned property.

(5) The provisions of this paragraph do not apply to state owned property if its legal owner is:

- the state,

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- the German Post Office and its general management, the German Railways, the waterways administration, the public highway administration, and other state enterprises,
  - enterprises or institutions answerable to local governments, cities, districts, and states,
  - an economic unit for which, at the time this law takes effect, a liquidation notice has been entered in the registry of state owned property.

(6) For the privatization and reorganization of state owned property in agriculture and forestry, the trusteeship is to be organized to take account of economic, ecological, structural, and property-law particularities in these areas.

### **Article 2: Status and Responsibilities of the Trusteeship Agency**

(1) The Trusteeship Agency is a public-law agency. It is responsible for privatizing and utilizing state owned property under the principles of the social market economy.

(2) The Trusteeship Agency is supervised by the Prime Minister.

(3) The Trusteeship Agency statute is to be presented to the Prime Minister for approval.

(4) The Trusteeship Agency's commercial rules must be approved by the Council of Ministers.

(5) Regulations under Paragraph 96, Sections 2 and 3 of the Republic's budgetary law on the management of businesses in the form of a legal person under public law, and on managing their participation, are to be applied to the Trusteeship Agency.

(6) The Trusteeship Agency is to promote structural adaptation of the economy to the requirements of the market, in particular by exercising an influence on the development of reorganizable enterprises into competitive businesses and privatizing them. It is to work toward creating competitive enterprises by effectively separating business structures, thus allowing an efficient economic structure to emerge.

(7) In anticipation of future profits from privatization, the Trusteeship Agency may take out loans and issue promissory notes for the purposes of reorganization within the framework and under the provisions of Article 27 of the State Treaty between the FRG and the GDR.

(8) The headquarters of the Trusteeship Agency is Berlin.

[...]

### **Article 8: Responsibilities of the Trusteeship Stock Corporation**

(1) The Trusteeship Stock Corporation, in collaboration with business consultants, sales corporations, banks, and other enterprises, will guarantee that the following tasks are carried out, entrepreneurially and as decentrally as possible, in its area of operations:

- privatization through sale of shares in business or property,
- ensuring the efficiency and competitiveness of enterprises,
- closure and utilization of the property of businesses or parts of businesses no longer amenable to reorganization.

(2) The Trusteeship Stock Corporation is to inform the Trusteeship Agency about the progress of privatization.

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[...]

#### **Article 24: Transitional and Final Provisions**

(1) The provisions of this law do not affect possible claims to restitution or compensation on account of unlawful expropriation or expropriation-like interventions.

(2) The law takes effect on July 1, 1990.

(3) At the same time, the following cease to be in effect:

– The resolution of March 1, 1990, on the founding of the Agency for the Fiduciary Administration of State Property (Trusteeship Agency) (GBl. I No. 14, p. 107).

– The resolution of the Council of Ministers of March 15, 1990. The Statute on the Agency for the Fiduciary Administration of State Property (Trusteeship Agency) (GBl. I No. 18, p. 167).

(4) The Council of Ministers will issue executive orders for this law.

Source: “Treuhandgesetz”, *Neues Deutschland*, June 29, 1990.

Translation: “The Charter of the Trusteeship Agency for GDR State Property, June 17, 1990,” in Konrad Jarausch and Volker Gransow, eds., *Uniting Germany: Documents and Debates, 1944–1993*. Translated by Allison Brown and Belinda Cooper. Berghahn Books: Providence & Oxford, 1994, pp. 164–67. (Article 24 translated by GHI staff.)

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