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**Economic Characteristics of the New Course  
in the USSR and East Europe**

Following the death of Stalin the leaders of the Soviet Union announced important changes in economic policy apparently aimed at raising the standard of living of the people, raising productivity and at relieving some of the strains which have developed in the economy. Similar announcements have followed in the European Satellites and East Germany. Although not announced for all countries there appears to be some cutback in certain large construction projects. The announced changes in economic policy do not contradict long-range Communist objectives.

Some of the salient features which the announcements have in common are:

- Avowal to raise living standards by increasing agricultural and consumer goods production.
- Amnesties.
- Cancellations of certain taxes and debts.
- Planned increases in housing construction.
- Lowered compulsory quota deliveries for farmers, with collective farms receiving greatest benefits.

More detailed analyses of changes for the USSR, East Germany and the East European Satellites are included herewith.

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**Economic Characteristics of the New Course in the USSR**

**I. General**

A new attitude toward the consumer is one of the most significant characteristics of Soviet policy following Stalin's death. The Fifth Five Year Plan called for an increase in consumer's goods, including agricultural products, roughly comparable to the rate for heavy industry. However, prior to March 1953, the interests of the Soviet consumer actually were subordinate to the goals in heavy industry and defense. Both the five-year plan for agriculture and the production of non-agricultural consumer's goods were hopelessly behind. Deliveries of agricultural machinery to farms in 1952 were less than the delivery levels in 1950 and 1951. Housing, for which the plan carried elaborate specification, was not being constructed on schedule. The problem of consumer goods was mentioned in such important documents as Stalin's Economic Problems and Malenkov's speech to the 19th Party Congress, but the regime was not making a serious effort to implement this part of the Five Year Plan. Shortcomings which would not have been tolerated in the heavy industries segment of the economy received scant attention in the consumer's goods industries.

The new emphasis on consumer goods is evident in decrees, promises made to the population, and actions taken on behalf of the consumers. However, the extent to which these programs will increase the output of consumer's goods or require a change in the Fifth Five Year Plan is, as yet, undetermined. There is no firm evidence that the goals for industrial investment or armaments in the Fifth Five Year Plan have been abandoned even though two sessions of the Supreme Soviet have taken place without ratifying the plan. Nothing so far promised the people would require a significant reduction in any field connected with Soviet capability to wage general war. Present information does not even indicate that the five-year goals for consumer's goods have been seriously revised. In agricultural production, where the most detailed information on the nature of the change is available, the program will still not achieve the goals of the original plan, although the gap between the plan and its fulfillment will probably be smaller.

**II. General Characteristics of the New Course in the USSR**

The events and policies that show the new importance of consumer goods in the Soviet economy since March 1953, are listed below:

-Since March, purchasing power in the USSR has been considerably increased. On 27 March an amnesty was announced. Persons released under this decree will draw higher wages on a scale commensurate with the general level in the USSR. On 1 April, the largest consumers' price decrease in four years was announced. It included a reduction of 50% in the prices of potatoes and vegetables sold at the state stores. On 28 June, the 1953 state loan was announced late and reduced the required subscription from the contribution of four-weeks' pay in 1951 and 1952 to a contribution of two-weeks' pay. If inflationary pressures or new

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taxes are to be avoided these moves require an increase in the output of consumers goods. The budget did not carry new taxes and, indeed, had some tax relief for parts of the economy.

Changes have occurred in the distribution system of the USSR. On 18 May, wheat flour was placed on continuous sale in the Moscow State Stores ending the four-days-a-year sales system in effect since World War II. Also, on 18 May, a bargain-clearance sale was announced in Moscow's State Stores, a measure unprecedented in the USSR. Beginning about this time a piecemeal series of orders extended the hours of most of the stores, shops, and restaurants. On 30 August, the Upper Row, a building on Red Square which had been the pre-revolutionary mercantile center of Moscow, was emptied of government offices and turned into a department store.

On 17 July, the results of the operation of the Soviet Economy in the first half of 1953 were announced. The data recorded an exceptionally high increase in the sale of consumers goods to the populace over the same period in 1952. The increase in the sale of consumers goods also exceeded the increase in the production of consumers goods by a significant amount. This could have been achieved by one or more of the following means:

- releases from State Reserves
- decreases in allocations to State Reserves
- imports

The use of these methods would be a significant departure from past practice.

On 5 August, Zverev presented the long overdue budget to a meeting of the Supreme Soviet. His speech and the figures contained therein did not reveal any important changes in the pattern of allocations. It did, however, list an expenditure of 43.2 billion rubles for lowering State retail prices for foodstuffs and industrial goods as of 1 April 1953. (Analysis of the budget immediately following this announcement did not produce conclusions that the present Plan had been abandoned though it did produce controversial conclusions that consumers goods were to receive increased emphasis.)

On 7 August, Chairman of the Council of the Union Budget Commission, L. R. Korniets made a report in which it was stated:

The Budget Commission studied the 1953 State Budget in February this year. At present, the Budget Commission has again reviewed the USSR State Budget, taking into consideration the reduction of State retail prices on consumers goods, the reduction in the sum of the state loan, the law on the reorganization of the USSR Ministries, and the additional tasks of the government regarding the production of consumers goods.

This statement is considered to be public acknowledgement that the budget and those items mentioned in the statement have been revised since February. Other information supports this view.

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-On 8 August, Malenkov spoke to the Supreme Soviet. His speech was the first of a series stating that the USSR was now in a position to turn to the task of catching up in the production of consumers goods. The precise details were not revealed. It was stated that 32 billion rubles worth of goods would enter trade this year above the 312 billion rubles first assigned for sale to the population from April to December of 1953. One goal of the Fifth Five Year Plan, an increase of 70 percent over the 1950 level of output in consumers goods by 1955, was the only long range goal presented. He stated, "We possess the means to fulfill this goal by 1954," but he did not state that they will fulfill this task by 1954. It was stated:

The urgent task lies in raising sharply in two or three years the populations supply with foodstuffs and manufactured goods, meat and meat products, fish and fish produce, butter, sugar, confectionary, textiles, garments, footwear, crockery, furniture, and other cultural and household goods; in raising considerably the supply of the population with all kinds of consumers goods.

In summary, Malenkov promised an unspecified increase in consumers goods production, stated that this will be of prime concern during the next two or three years, and in his speech he devoted far more emphasis to the subject than any leading Soviet figure has in policy speeches in the recent history of the USSR.

Following the conclusion of the meeting of the Supreme Soviet of the USSR, the Union Republic and Autonomous Republic Supreme Soviet began their meetings, which are still in progress. They have repeated the new line announced by Malenkov. For example, on 22 September a speaker before the Tadzhik SSR's Supreme Soviet referred to "the task set by the party and the government for the maximum development of production of household goods." Thus, these promises, still vague as to volume and time schedule, have received the widest possible internal Soviet distribution.

-On 15 and 16 September, the USSR announced the creation of nine ministries; seven of these were directly related to the program for raising the output of consumer goods. These were:

Ministry of Agriculture and Procurement  
Ministry of State Farms  
Ministry of Internal Trade  
Ministry of Foreign Trade  
Ministry of Food Goods  
Ministry of Consumers Goods  
Ministry of Road Transport and Highways.

Some of the men placed in charge of these units are among the top production specialists in the USSR. In March, these organizations had been combined with other units to form larger ministries and their reappearance has reversed the trend toward consolidation of administrative overhead in the USSR.

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-A new agricultural program was announced in the Agricultural Decision of September 12, 1953, and Khrushchev's speech of September 15, 1953. It represents a significant effort to fulfill the goal of more consumers' goods. The failings in the field of agriculture announced by Khrushchev were not new. But, the publication of the fact that livestock herds in the USSR are no larger today than in 1916, that 18 per cent of the cows were slaughtered in 1952, and that harvesting of potatoes and vegetables has decreased in past years was probably intended to stir people into action. To increase incentives for agricultural production, the program envisages reduction of the amount of obligatory deliveries to the state by the kolkhozes, an increase in state procurement prices for these obligatory deliveries, and number of measures to facilitate the sale by the kolkhozes of the resulting surplus produce. The present program to increase agricultural output does not include any changes in the basic farm policy of the USSR. For example, it was announced that collective farms will be consolidated even further. It was stated that although the private plots are useful as long as agricultural output is lagging, eventually they will be unnecessary. In addition, Soviet leaders claim that as soon as possible they will attempt to build agrogorods in the rural areas. Nevertheless, the program to increase agricultural output is very comprehensive:

(1) The policy of discouraging the private ownership of livestock has been reversed. Khrushchev admits that, compared with the prewar level, the number of cows personally owned by the population decreased by 6,500,000. Not only has the state announced a change in its point of view toward privately-owned livestock, but it has attempted to help the peasants to purchase cows by raising state delivery prices of dairy products, reducing norms, and lowering the agricultural tax on household farms.

(2) Another change in policy concerns state controls over the allocation of labor between industry and agriculture. Whereas the state previously attempted to shift persons such as tractor drivers from agriculture to industry, the present program attempts to shift them back to the farm. Khrushchev states that "from 20 to 35 per cent of the tractor drivers drop out of tractor teams annually". The present program includes an "appeal" to tractor drivers to return to the MTS (Machine tractor stations), higher guaranteed pay to induce tractor drivers to return readily, and a warning to directors of enterprises not to hinder the release of tractor drivers who desire to return to the MTS.

(3) A third change is the allocation of "additional" funds through the budget to agriculture. Khrushchev announced that these funds would amount to over 15 billion rubles in 1953 and 35 billion rubles in 1954. Over 13 billion rubles of the total amount in 1953 are to be paid to the collective farms and collective farmers because of the higher procurement prices of cattle, poultry, milk, butter, potatoes, and vegetables. The objective of this additional income is to provide the "material incentives" to expand the output of these products. The remainder of the additional allocation is for capital investments in agriculture by the State. The funds will provide

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the farms and MTS with funds to increase considerably the size of their herds, the number and quality of their farm buildings, garages, and repair shops, and the amount of farm machinery. An incidental point here is that local production of building materials is now encouraged. This had been a component part of the abandoned agrogorod program of 1950 and this practice was sharply criticized by Malenkov as late as October 1952.

(4) The new program outlined in the Agricultural Decision and Khrushchev's speech provides for several local organizational changes:

-One hundred thousand agricultural experts - agronomists and zootechnicians - are to be transferred from their present jobs in the Ministry of Agriculture and Procurement to the MTS.

-Tractor drivers who were formerly on the staff of the collective farms and assigned to the MTS when necessary are to be placed under the direction of the MTS.

-The former post of Deputy Director for Political Matters will be eliminated. However, the party organization in agriculture is to be expanded to include a Bureau in the rayon communist party organization headed by a First Secretary in each rayon, a group of Instructors in each MTS headed by a Secretary of the rayon communist party organization, and enough Instructors to provide one for each collective farm. To obtain the necessary Communist Party members for this organization, the state is going to appeal for 50,000 volunteers from the cities.

(6) The new program provides for several changes in the techniques of agriculture, farm management, and marketing:

-The beginning of the economic year - date of inventory - for animal husbandry is changed from January 1 to October 1 in order to prevent the retaining of large herds through the difficult winter months.

-Seedlings must be grown in peat humus pots.

-Farms must supply their own perennial and annual grass seeds.

-Farms must not plan to replace local fertilizers with mineral fertilizers.

-Violations of the per hectare principle of compulsory deliveries are to be eliminated.

-A policy in which the state purchases the surpluses of collective farms by contract is to be expanded.

(7) The program emphasizes the need to replace many collective farm managers and MTS directors with better trained personnel

-Incumbent chairmen of collective farms who are not competent are to be replaced. Khrushchev reports that nearly one-third of all collective farm chairmen work in this capacity for less than one year.

-The program includes plans to send mechanical engineers, from industry and other branches of the economy to MTS as directors, chief engineers and repair-shop superintendents.

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**Economic Characteristics of the New Course in East Germany**

**I. General**

A. The "new course" in East Germany, first outlined on 9 June 1953, followed a 12-month period of intense effort to communize the country rapidly. On top of an overly ambitious 5-year plan (goals of which had been advanced one to two years in many cases) and a high level of reparations; was imposed a rapid remilitarization program and a poor crop year. The impossibility of fulfilling these combined tasks was obvious, but given no official recognition, and long after Stalin's death, East Germany continued to be a conspicuous exception to Soviet tactics of conciliation. Through the end of May, Party leaders, in vituperative and uncompromising speeches, emphasized rapid socialization of the GDR, describing this as the means by which German unity would be accomplished.

B. In a very real sense, therefore, the "new course" was a reaction to and a modification of the preposterous demands being made of the East German economy. Even though the chief aim of the new course was described as the restoration of German unity, essential features of the program such as the curtailment of investment in heavy industry, the curtailment of military construction and production programs, and more realistic planning in terms of material and labor resources are likely to be retained as economic and political necessities.

C. On 31 July Deputy Premier Ulbricht justified the "new course" in the following interesting statement:

Because of the existence of the USSR and "great Socialist peace camp, there is no need for us to speed up the rate of building heavy industry, transforming agriculture, and raising national armed forces..." such as the USSR was forced to do in the early stages of its building of socialism when it was surrounded by hostile forces. It is well to learn from Soviet experience but "the SED made a mistake in attempting mechanically to transfer Soviet forms and methods of work to the GDR...without paying attention to historic national and economic peculiarities of Germany."

**II. General Features of the New Course in East Germany**

A. On 11 June, the announcement of the decisions of 9 June by the Politburo of the Central Committee of the SED stated in part: "The Politburo recommends to the government the carrying out of a number of measures which will contribute to the marked improvement of the standard of living of all sections of the population." These measures are designed

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"to correct mistakes reflected in past ordinances that showed insufficient regard for the independent peasants, retail traders, and craftsmen... as a result of which many people left the republic."

B. Major recommendations were:

-Amendment of the plan for heavy industry, with a view to improving living standards. In this connection, the following 9 June release from the President's office is of interest:

"In the budget for 1953 ((passed 5 February)) considerable funds had been taken into account not earmarked in the 5-year plan ((ie, military expenditures)). Moreover, tasks which were earmarked for the coming yearly plan in 1954 have been included in the 1953 plan and certain parts of the 5-year plan were shifted in favor of the development of heavy industry from 1955 to 1952 and 1953."

-Cancellation of tax arrears through 1951 of private peasants, private industries and private trading firms and the extension of credit to these groups.

-Full restitution of confiscated peasant, small business, and private properties to returning refugees or full compensation therefore.

-Amnesty for all those charged with damaging state owned property and restitution of full legal rights to returning refugees.

-Non-discrimination in matters such as schooling opportunities and issuance of ration cards.

C. The 17 June riots evoked a rapid series of additional promises and implementing decrees in the ensuing 10 days. Most significant among these were:

-Cancellation of the compulsory 10% work norm increase decreed in late May which touched off the riots. "Future work norm increases will depend on workers' voluntary consent." Reversion to norms effective 1 April 1953.

-Additional 600 million DME appropriated for housing. (Est inc. 85%)

-Numerous measures relating to social insurance, annual leave, sanitary facilities.

-Cancellation of the daily power cuts for domestic consumers. (Power cuts have continued despite this order).



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- Reduction of peasant delivery quotas and cancellation of or respite in delivery arrears.
- Permission for peasants to "slaughter at home goats, one pig and one calf, irrespective of whether delivery quotas have been met or not."
- Release of large amounts of foodstuffs, clothing, and industrial goods from state reserves "because of the reduced requirements of the armed forces." (By mid-August state reserves of meat were virtually exhausted, with 4,000 tons remaining.)

D. Planning Revisions

1. A 28 July resolution of the Central Committee of the SED stated: "So as to fulfill the new course, it is necessary to alter the 5-year plan and the economic plan for 1953 by restricting investments in heavy industry." Specifically, investments in the following industries were to be curtailed: "metal production, ore mining, machine building, chemicals, and building." Investments in the following industries will be maintained or increased: electric power, coal, transport, housing and agriculture. Evidence is now becoming available which confirms that such investment changes are being made.
2. On 31 July, Ulbricht made the following revealing statement: "As a result of the division of Germany and the existence in the west of almost all Germany's metallurgical industry, we were forced to set up such costly plants as the J. V. Stalin Iron and Steel Works. Our friends in Moscow have now assured us that the GDR will receive the help it needs in the supply of metals, raw materials and manufactures from the comity of friendly states, in order that there will no longer be any need for such excessive development in heavy industry."
3. As if to dispel any illusions, however, officials now hasten to add that heavy industry "will continue to develop" although at a slower pace. It appears, as in the rest of East Europe, that development of those industries in which East Germany enjoys a comparative economic advantage within the bloc will continue to be stressed as much as possible while other, less rational projects, will be curtailed or abandoned.
4. There is some evidence that production goals for the second half of 1953 are being adjusted to a more realistic level based on actual performance during the first half of the year rather than on existing plans.

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E. Military Production and Construction

1. Military construction on Ruegen Island ceased, apparently in June.
2. Construction firms concerned with military construction have been disbanded.
3. Airfield construction and improvement which had been particularly extensive during the past year has been suspended.
4. Plans for rebuilding an aircraft industry in the GDR which were being carried out rapidly until June have been shelved and plants concerned turned over to other work.
5. Three special departments in the covert armaments ministry (Ministry for Transport Media and Agricultural Machines) are reported to have been dissolved: these are: Naval Construction, Weapons and Ammunition, and Aircraft Construction.
6. Although intensive KVP recruiting was suspended in early June and selective releases effected subsequently, recruiting was resumed in early September, reportedly on the day following the West German elections.

F. Soviet Economic Concessions of 23 August

1. In announcing sweeping financial concessions for East Germany on 23 August, the USSR promised to carry out the proposals contained in their 15 August note to the Western powers. These proposals called for termination of reparations, cancellation of post-war German debts and reduction of occupation costs, all to become effective 1 January 1954.
2. In addition, the concessions provide for return without compensation to German ownership all remaining Soviet-owned corporations in East Germany, with the exception of the Wismuth Uranium mining combine which is to be set up as a joint Soviet-GDR firm. The GDR was also relieved of debts incurred as compensation for the return last year of 66 Soviet owned firms.
3. Additional credits are offered, partly in the form of foreign exchange. Promises of additional large food shipments were made and food demands of the occupation forces on the GDR economy were greatly reduced.

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4. If implemented, (there is as yet no concrete evidence either way) these concessions will provide a considerable financial accretion to the GDR economy. They may be calculated to bring East German living standards up to pre-war levels and if carried out would accomplish this end within two years. In any case, it is doubtful that this move was merely a pre-election tactic.

### III. Conclusion

A. The new course sets forth remedial measures for each of the three basic problems of the East German economy:

1. In rapid socialization: there is mounting evidence that plan goals are being set more realistically, and that planned investment in heavy industry is being reduced. Uneconomic, autarchic projects will probably be limited.

2. In military development: there is considerable evidence that ambitious plans to expand and equip the East German armed forces have been shelved, at least temporarily.

3. In reparations and other uncompensated deliveries: the concessions of 23 August would provide significant relief if carried out.

B. These measures do not compromise the basic process of socialization of the East German economy; they represent only a more realistic appreciation of the economic and political capabilities of East Germany for carrying this process out.

1. There is reliable evidence that some of the original glowing promises made to refugees who return, to entrepreneurs and to private traders, are not being carried out.

2. There is repeated reaffirmation of the "correctness" of government and party support for agricultural producer cooperatives "which arose in the GDR at the initiative of the working peasants."

3. The campaign to raise work norms has been resumed with great emphasis. As usual, demands for this "come from the workers."

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**Economic Characteristics of the New Course  
In The East European Satellites**

**I. General**

A. All Eastern European Satellites have, since 4 July, announced their intention to modify their economic plans for the avowed purpose of improving living standards. An important feature of each program is the predominant emphasis on the need for increasing agricultural output, and probably for this reason, announced modifications of past policy have been most pronounced in Hungary, Rumania, and Albania. Czechoslovakia, although expressing the general line of the program, emphasizes the continuity of the planned investment effort in the raw materials, power, and heavy industrial sectors. Bulgarian and Polish modifications to date are token ones in the direction of improving living standards, and little dissatisfaction with past performance in the economic sphere is evidenced. Symptoms of economic stress in these two countries during 1952 were not as profound as elsewhere.

B. The questions arise: Is the "new course" really new? Will the economic plans of the satellites be significantly or basically altered to raise the local standard of living above its present low ebb? At this point, two general observations can be made:

Too little time has passed since the announcement of the "new course" for accumulation of sufficient detailed material from the Satellite area in order to evaluate implementation of the various programs.

However, the policy speeches in Eastern Europe have been revealing and indicative of the magnitude of the "new course." Generally speaking, as a minimum, the "new course" involves significant plan re-adjustments partly in the opposite direction from the extraordinarily ambitious plan decisions taken in the latter half of 1951, which resulted in a multitude of symptoms of serious economic stress in the area throughout 1952. As such the present re-adjustments at least reflect more realistic economic planning in comparison to the past 2 years. Furthermore, there is no apparent reason why a realistic revision of 1952 economic goals could not at least reach 1951 levels of consumer goods turnover within a short period of time. At most, the "new course" appears not to reflect any basic moderation of past techniques in the economic sphere. By a "basic alteration," is meant a considerable relaxation of collective farm policy in order to increase farmer productivity or a considerable relaxation of piece-work wage systems with exorbitant norms, and so forth, in order to boost industrial productivity and worker morale.

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## II. General Features of New Course in Eastern Europe

The primary purpose of attempting to improve living standards, which by admission declined during 1952, is to achieve a higher total economic output by providing greater incentives for the worker and the peasant. Generally speaking, this is being attempted in the framework of a more realistic relationship between plans and capabilities in raw materials and existing industrial and skilled labor capabilities. Specific categories are discussed below: (A chronological list of events in some of the more important categories is appended).

Agriculture: There are two basic aspects of the "new course" in agriculture: First, output is to be increased through more investment (land recovery, increased availability of agricultural machinery and equipment, increased use of fertilizers, and so forth) and greater labor productivity. Farmer productivity is to be increased by more incentives in the form of reduced crop surrender quotas and generally higher crop delivery prices. The second aspect of the program is that all the above will take place in the traditional collective farm framework. Not only will the collective sphere be favored "administratively" (by tax and credit advantages, first priority on use or purchase of agricultural equipment, fertilizers and seeds, more moderate crop delivery legislation, and so forth), but expansion and strengthening of the collective sector is called for in each country. The beneficial effect of the limited liberalization on agricultural output may be partly cancelled out by the apparently unnecessary doctrinal rigidity in collectivization policy; the factor most destructive of farmer productivity in Eastern Europe has been the imposition of the Soviet collective farm system, whether the farmer has joined a collective farm or maintained his private status with consequent discrimination.

Extractive Industry: The "new course" provides for a substantial increase in the exploitation of raw materials and fuel and power in the Satellites. This is to be achieved by more mechanization, increased prospecting, and higher productivity. Reports received during the past year and a half reveal, for example, that as much labor turnover and unrest, absenteeism, and so forth, have occurred in the mining industries of Czechoslovakia and Hungary as in any industry in the Satellites. This sector of extractive industry, in fact, has most epitomized coercive Soviet economic exploitation in East Europe in that it has been of little value to the particular Satellite, in that compensatory prices, in the case of export, do not reflect costs, in that labor conditions have been extraordinarily harsh, and in that utilization of labor in this sector in Czechoslovakia and Hungary had, along with military service, created by 1952 a serious over-employment situation. Therefore, the absence of retrenchment in this sector is a significant 'hard' aspect of the "new course." Several Satellite leaders have characterized expansion of activity in this sector as the very base of the program to improve the standard of living. Looked at in another way,

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emphasis on indigenous extractive industry implies a more realistic relating of industrial activity to available raw material and skilled labor resources, which also characterizes the program.

Internal Trade: In order to raise worker and farmer incentives by a higher level of internal trade, most satellite measures call for consumer price reductions, increased credit, more and better consumer goods, and removal of bureaucracy in the distribution mechanism. Increased output of food staples and textile raw materials discussed above, has been stressed over increased output of consumer durables, suggesting that satellite leaders are either less concerned about their capability to expand consumer durable production and import, or that there is less intention to expand rapidly in the consumer durable field. There is not yet sufficient evidence to evaluate Satellite progress in this area.

A related aspect of the "new course" has been the selective cancellation or reduction of tax arrears and current taxes, particularly for the farmer and home owner. Since turnover tax has not been reduced, it is possible that satellite governments believe that they will suffer no net loss of revenue as a result of tax liberalizations due to the increased turnover of consumer goods.

Investment and Construction: A reduction in over-all investment has generally been called for; the percentage of reduction, where stated, suggests that the reduction may amount to a negation of the extraordinarily high accelerated investment goals undertaken in late 1951 and effective throughout 1952 and early 1953. There is good evidence that so much investment was attempted during this period that beneficial effect from some investment suffered as a result of diffusion of effort and chaos in project planning. Present investment goals, where they are identified, therefore, appear to approximate 1951 goals.

Cuts in construction that have already been reliably reported in Eastern Europe involve primarily long-range "great projects," most of which are of questionable economic necessity. In several cases, satellite leaders have specifically related the planned curtailment of investment to increased urban and rural housing construction, which has been promised in all the satellites, and is very necessary.

Manpower: Indiscriminate drafting of non-skilled rural labor for work in industry, mining and construction, and military service, which reached a peak during the spring and summer of 1952, will be somewhat modified under the "new course." Reports have been received of non-skilled industrial workers returning to agriculture in Hungary, for example. Furthermore, the 1952 plan was when depopulation campaigns which were evident in certain areas have specifically been cancelled and depopulation campaigns have been cancelled to release the labor from the sub-optimal agricultural areas.

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Armaments production: There is as yet no reliable evidence to suggest a curtailment in armament production goals in any Satellites, although some rationalisation of productive effort in this sector may be taking place.

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**Selected Summary of developments in Eastern Europe**

**19 June**

Hungarian government announced price reduction of certain articles of clothing by as much as 1/3.

**Last week in June**

Rumanian government moved to ease lot of peasants; recommended collective farms depart from recently adopted model statutes by allowing members to draw 15% of grain harvest for personal needs before surrendering quotas to State and making payment in kind to MFS; permitted some peasants, depending on need, to mill 50 kg. of grain for own needs before meeting quotas.

**4 July**

Following government reorganization Hungary, Premier Nagy, newly appointed government head, made first major Satellite policy speech defining "new course." Program is as described in attached analysis with major exception that the collective farm structure "as an end in itself" is practically blasphemed. Marked slow-up of collectivization policy called for and statement categorically made that peasants will be permitted to withdraw from collectives. This real moderation in agricultural policy was specifically reversed in Rakosi's policy speech of 11 July which called for the strengthening and expansion of the collective, and indicated the degree of discrimination that would be brought to bear on those peasants who attempted to withdraw from collectives. A fawning speech by Nagy on the supremacy of the Party in Hungary immediately followed Rakosi's address.

Rumanian Council of Ministers increased the quantity of bread and pastry on the free market. As of 16 July increased quantities of bread were to be distributed throughout the country and increased quantities of sugar were to be made available on the free market in July.

**7 July**

Hungarian government ordered a reduction in land tax and crop delivery obligations of farmers who suffered damage due to unfavorable weather.

**8 July**

Improvement in Budapest food supply noted by US Legation. Large quantities of cold storage pork and butter, potatoes and vegetables have appeared in stores, indicating that reserves have been released to launch the program.



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11 July

Romania modified compulsory agricultural quotas. Rumanian government cancelled agricultural debts owed by collective farms, joint village associations and individual holdings of every category, resulting from compulsory quotas.

Hungarian decree cut crop delivery quotas for collectives but not for individual peasants, remitted all fines for non-fulfillment of crop delivery targets of individual peasants and collectives, and cut by 10% delivery quotas of all types of collectives but not of individual peasants and also cancelled last year's arrears in grain deliveries.

17 July

Cominform Journal carried summaries of Nagy's 4 July speech and Rakosi's 11 July speech, omitting all references in Nagy's speech to the alleviation of strict police measures and permission for peasants to withdraw from cooperatives in Hungary. The tone of Nagy's speech, through significant omissions, was made to conform more closely to the Rakosi speech which stressed plans for improving production and work discipline and continuing support for the collectivization program.

19 July

2000 former Bucharest shop owners were recently called together to discuss a return to private enterprise according to source of US Legation.

21 July

Albanian editorial chastized "administrative organs of State economic enterprises" for neglecting welfare and standard of living of industrial workers.

22 July

Polish Premier Bierut in a major policy speech emphasized that achievements in industrialization would permit regime to give full attention to problems of raising level of agriculture. Government will provide more assistance, equipment and supplies to individual peasant farmers, and aid to peasants in financial difficulties. Hungarian government allotted 60 million forints (approximately 5,100,000 dollars) to improve labor conditions over and above sum allotted for this purpose in budget. This to be used in Ministries of Heavy Industry and Metallurgy and Machine Building, Agriculture, Light and Food Industries.

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- 24 July 25X1
- 25 July  
Hungarian decree lightening tax burden on farmers by cancelling some tax arrears.
- Hungary issued amnesty decree, abolished internment camps, and cancelled deportations and prohibitions of residence, all of which will curtail sources of cheap and involuntary labor in Hungary.
- 27 July  
Hungarian decree to improve quality of consumer goods, another providing increased insurance protection to peasants from fire and hail.
- 29 July  
Decree of Hungarian presidential council announced 29 July revealed Office of Prosecution reorganized, particularly for improving the defense of the rights of citizens in political economic and legal spheres as well as supervision of law observances by public authorities.
- 30 July  
Hungarian council of Ministers introduced decree providing 61 million forints for a loan to cooperative farmers and individual farmers for the construction of granaries. Apparent that larger cooperative farms have first priority.
- 1 August  
Bulgarian government announced a price reduction on consumer goods ranging from 5 to 30 percent with the majority of the cuts being between 8 and 15 percent. Most foods as well as at least some clothing articles and other goods like soap are included. These price reductions are very similar to those announced in August 1952.
- 8 August  
Hungarian decree permitting reestablishment of some small private consumer craft and service businesses.
- 10 August  
Construction on Budapest subway suspended indefinitely because of a lack of funds. 25X1
- 12 August  
Polish government extended tax relief to farmers unable to pay debts over past few years. In some cases debts cancelled, in others payment may be made in long-term installments until end of 1955.

**SECRET**  
SECURITY INFORMATION

- 22 August Rumanian premier Gheorghiu-Dej in major policy speech admitted serious shortcomings in nation's economy, and indicated that more emphasis will be placed on agricultural production and less on industry, as indicated in the attached analysis.
- 28 August Great numbers of former deportees have returned to Budapest according to American legation. Have been given from 2 weeks to 2 months to find jobs and lodgings but barred from white collar or defense plant jobs.
- 30 August Hungary announced 10 percent reduction in crop surrender quotas for corn, potatoes and sunflower seed of non-collectivized farmers who have fulfilled bread and fodder grain quotas as well as farmers who have been unable to meet their quotas through no fault of their own.
- 5 September Rumania announced 25 percent reduction in rates for commercial services such as water and sewerage. Also cancelled agricultural debt obligations on last fall's harvest. Applies only those farmers who have fulfilled compulsory deliveries for current harvest.
- 6 September Hungarian government announced price reductions affecting numerous products. Includes bread, sugar, canned foods and beverages, clothing, shoes, fabrics and furniture. Excludes meat and dairy products, fruits and vegetables. Reductions range from 12-30 percent.
- 7 August Article by Edward Ochab, Polish Politburo member, re-affirmed Bierut's policy speech on 21 July, stressing consideration for needs and complaints of workers and peasants.
- 1 September Czech government decreed increase in prices to be paid for government crop purchases with no increase in retail prices of agricultural products.
- 4 September American Legation in Bucharest reported stores were being refilled with various consumer goods and feed supplies except for corn meal. Legation considers new program appears to be serious attempt to increase supplies of consumer goods, raise agricultural production and expand housing without slackening socialization.

**SECRET**  
SECURITY INFORMATION

- 6 September      Polish Premier Bierut indicated that, in addition to state aid to private farms and producer cooperatives, production of agricultural machinery and implements would be increased in the near future.
- 8 September      In Liberation Day policy speech Bulgarian Premier Ghervenkov announced that construction of the lead and zinc plant (near Kurdzhali) had been "temporarily halted." Also promised assistance to agriculture in the form of increased investments and reduction of taxes and compulsory quotas - mostly to cooperatives. Also indicated more stress on consumer goods production.
- Albania cancelled many peasant taxes still owed to state. Decrees cancelled 50-100 percent of the accumulated obligation on income taxes on cooperatives and private farms. This was promised in June when past agricultural debts were cancelled.
- 9 September      Hungarian decree authorized unskilled workers in non-critical industries who left collective farms in past two years to return upon request of farm directors.
- 12 September     Rumanian government issued decree reducing electric power rates for households by average of 35 percent.
- 15 September     Major Czech policy speech announced cut in planned investment, more attention to development basic industries and mining, continued strengthening of cooperatives, more housing construction, and so forth.