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THE CURRENT SITUATION IN HUNGARY

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Abstract

The Hungarian Communist regime is currently beset by major difficulties growing out of the attempt to remedy past failures of the economy through a shifting of some economic emphasis to agriculture and consumers' goods. The aim of thereby eliciting a greater economic effort from the population has so far not been achieved, due to popular disbelief and antagonism toward the regime's promises and methods. Moreover implementation of the revised course has been plagued by intra-Party disagreements and by misunderstanding and obstructionism within the bureaucracy. Shifts in regime leadership roles have resulted and are likely to continue from time to time, though there are no indications that these will lead to any radical replacement of the present group of leaders. The problem of the regime is essentially one of effecting a program and making the economy work, rather than one of enforcing the basic police and administrative controls over an unwilling population.

The agricultural program on which promises of improved living standards were based has remained largely unimplemented, while many of the changed plans for industry have not actually been put in effect. Agricultural improvements scheduled for 1954 were delayed by weather difficulties, as well as peasant distrust of the regime. In the industrial sector, stresses and strains have multiplied as a result of the failure of the inflexible bureaucratic apparatus to effect a smooth transition to the new course. Difficulties have been so serious as to necessitate a further drastic cut in 1954 targets, with new over-all output goals apparently below the 1953 level. Neither the projected investment shifts nor the proposed shift from capital goods production to that of consumers' goods and agricultural equipment has actually been implemented.

The consumers' goods program basic to the regime's bid for popular support also has been largely a failure, in spite of an improvement in market supplies in the wake of the "new course" announcement. Hungary's chronic foreign exchange shortage, intensified by the disappearance of traditional agricultural export surpluses has lent added urgency to the need for improvement in performance.

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THE CURRENT SITUATION IN HUNGARY

Current difficulties in which the Communist program is involved in Hungary grow out of the basic problem which has beset the regime from its start. This is the problem of overcoming the ingrained hostility of the population to Communist programs and methods. In the period 1949-53 this basic problem was exacerbated by the regime's attempt to carry out an industrial development program too ambitious for the capacities of the country, and by its ill-advised agricultural policies. In the summer of 1953 the government announced a revised economic program apparently modifying the stress on development of heavy industry in favor of agriculture and consumption. This shift was designed to deal with the basic problem by taking some of the pressure off the population, allowing the latter some relief from depressed living standards and thereby eliciting from the people a greater economic response.

Politically, the carrying out of this revised program has meant (1) the necessity of overcoming widespread misunderstanding, disagreement and obstructionism within the party and state apparatuses, so as to get these elements to accept and carry out the new policy, and (2) the attempt to reduce apathy, tension and hostility among the population at large and to convince them that their interest lay in cooperating with the program. Economically, it has meant the need to channel more resources into agriculture and consumers' goods industries so as to bolster the incentives of the population. To date very little progress has been made toward achievement of these aims.

I. POLITICAL SITUATIONA. Regime

Within the regime, the 1953 shift of policy has intensified latent disagreements and rivalries and produced a measure of instability that appears likely to continue for some time to come. The Party has admitted the existence of disputes in the Central Committee between anti-"new course" doctrinaires and pro-"new course" moderates, which reached a showdown in October in which the latter appear to have gained the upper hand. Such disputes are likely to continue. However, the resultant disharmony and ideological confusion within the Party leadership appears to constitute more of a drag on the efficiency of the regime than a threat to its over-all stability and security.

Both the top and the middle-level leadership organs have undergone shake-ups and are likely to undergo further ones. For the most part, however, these are likely to be as undramatic as those which have already occurred since the inauguration of the revised course -- reflecting, for

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example, an accelerated rise of a few younger non-Jewish leaders and a limited come-back of relatively minor older ones, as well as some redistribution of roles among the top leaders. The type of intra-party crisis leading to a major ideological showdown and purge does not appear to be indicated at the present stage.¹ Probably the most conspicuous change that might occur would be the shelving at last of Rákosi, who despite seeming ups and downs has so far held onto his position as nominal head of the Party. The regime's pointed stress on "collective leadership" since Stalin's death, and repeated denunciations (in which Rákosi has joined) of the "one-man" type of rule which Rákosi has exercised in the past, may well be signs that he is going to be eliminated from his paramount position. Nevertheless, for the time being he still appears to have the dominant voice in the regime. If, however, he should be shelved it would not produce significant repercussions on the regime. It would in fact relieve the regime of a particularly unpopular character.

B. Population

With regard to the population, the difficulty of the regime is mainly one of obtaining compliance and positive cooperation, rather than any substantial threat of active popular resistance. Despite intensive propaganda the Party has failed so far to convince the people that new promises made under the revised program of 1953 will be kept or that it is in their interest to put forth more economic effort under present circumstances. In an attempt to break down popular indifference and contempt the regime has gradually redoubled its pressures and exhortations during the past year, even appealing to nationalist traditions that it formerly denounced. Its latest device to foster at least an appearance of growing support has been the revival of a People's Patriotic Front in which the trade unions, churches, youth and women's organizations and all other official mass agencies are compelled to serve in unison with the Party as an over-all instrument of propaganda and channel of responsibility toward the state. By thus yoking all other front agencies more closely with the Party, the regime apparently hopes to put across the concept that Party policy is the popularly inspired program of the nation, and that the responsibility for any failures will rest with the people. The indications are, however, that this approach makes little impression on the entrenched antagonism and distrust of the population. Significantly, even the Party youth organization, the repository of the regime's highest hopes for the future, has failed to respond to

1. No major ideological deviation has been charged in the Party since the Rajk case of 1949. No top-ranking Communist has been purged a la Rajk during the four-year interval between his execution and the imprisonment of General Péter in 1953. No significant individual Communist has defected to the West.

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the regime's program and has not yet become an important source of future intellectual cadres for the Party. After six years or more of intense indoctrination and disciplinary pressure, youth continues to be widely affected with cynicism and apathy.

Despite general popular apathy toward regime measures and disaffection toward Communist and Soviet rule, there is little active resistance and little opportunity for such resistance to develop. The controls maintained by the regime's security apparatus, which have undergone no impairment or essential changes, are adequate to prevent the spread of any important organized resistance movement. Unorganized resistance has so far taken the form only of occasional scattered acts. There have been no reports of major instances of sabotage since several months before the 1953 inauguration of the revised course. Neither the East German riots of 1953 nor the purge of Beriya in the USSR caused any overt or important popular reaction in Hungary. Such relaxation of police controls as has taken place during the past year has not been followed by any noticeable increase in signs of active resistance. The curtailment of the formerly free-wheeling State Security Authority (AVH) and imprisonment of its tyrannical chief after the regime's introduction of the revised course has so far had no observable popular repercussions or deleterious effects on the efficiency of police controls.

II. ECONOMIC SITUATION

In the economic field little progress has been made toward the major policy goals as revised 18 months ago. In part this has been due to the population's continuing hostility and its withholding of cooperation. The regime so far has not succeeded in implementing its agricultural plan, carrying out projected investment shifts, or shifting industrial emphasis sufficiently from heavy engineering industries to basic materials, consumers' goods and agricultural equipment. The entire economic program was hampered during the first half of 1954 by weather conditions. An unusually hard winter caused transportation tieups and work stoppages in industry and affected agriculture by damaging crops and delaying spring field work. Heavy floods of the Danube River basin in mid-July, preceded and followed by unseasonably heavy rains, interfered with agricultural work at harvest time and again interrupted industrial activities. But resistance from various elements of the population apparently accounted for the largest measure of the economic failures. Included was obstructionism and opposition from some high-ranking economic leaders which has been **cited** by spokesmen as the main factor for the non-implementation of new course provisions.

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Following a period of uncertainty and argumentation, the economic course originally charted in June 1953 was reaffirmed and intensified in a meeting of the Hungarian Workers' Party Central Committee (October 1-3, 1954) which apparently resolved, for the time being, a long drawn-out debate on the causes and cures of economic ills. At this new affirmation of the "new course," promises were advanced for a greater measure of material incentive and for even more drastic investment and production shifts than had been projected originally.

A. Agriculture

The most conspicuous failure during the past 18 months has been in the agricultural program which is recognized as basic to any appreciable or lasting improvement in living standards. This sector continues to be hamstrung by the identical difficulties which had been responsible for its stagnation in the past and which the new program was designed to correct -- namely, inadequate investment and lack of cooperation on the part of the peasantry. Agricultural improvements planned for 1954 as part of the comprehensive three-year agricultural development program launched in December 1953 were delayed not only by weather difficulties but also by non-implementation of investment and mechanization plans and by the failure of the authorities to win the peasants' confidence through efforts at conciliation. As a result, over-all production, particularly of bread grains, has been below expectations despite claimed increases in sown acreages.

By the end of September 1954 agriculture admittedly had received only 50 percent of scheduled investments (it is not clear whether this proportion refers to the whole year or only to the nine-months quota). In view of this lag agricultural investments during 1955 are to be kept at the level scheduled but not attained for 1954, previously specified at about 3.25 billion forints. At this rate -- not significantly higher than the admittedly inadequate investments of 11 billion forints scheduled for the period 1950-54 under the Five Year Plan or the 5 billion forints actually invested during the three years 1951-53 -- the investment goal of 12-13 billion forints for the three year period 1954-56 called for by the agricultural plan, appears out of reach. There have also been admissions that during the first 9 months of 1954 only 51 percent of the tractors ordered and even smaller proportions of other agricultural implements have actually been delivered and that the items supplied have frequently been of inferior quality.

Nor have new course agrarian policies -- despite some significant moves to ease the peasants' burden -- secured the expected larger measure of support in the countryside. Concessions regarding past arrears in compulsory deliveries of farm products and the mitigation of current obligations for a five-year period beginning January 1954, for instance, have not overcome the trouble the authorities have

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chronically experienced in securing compliance with these measures. Encouraged by concessionary moves, peasants have apparently been withholding even larger amounts of produce in the hope that the regime, forced to cancel last years delivery arrears, will again forgive arrears from current obligations.

The regime has been trying to maintain a precarious balance in its agricultural policy. On the one hand it seeks to stimulate production by offering more material incentives to private peasants, but on the other it feels constrained to limit these incentives sufficiently to avoid political and ideological consequences including jeopardy of the goal of collectivization, which continues to be espoused as the correct policy for the countryside. This conflict of interests has produced considerable uncertainty and argumentation, expressed in an alternate tightening and loosening of the reins which has confused local rural officials charged with putting into effect the government's policies and enhanced the peasant's insecurity and distrust of the government.

Illustrative of such vacillation has been the regime's attitude toward collectivization. The attempt to make individual peasants, who till more than two-thirds of the country's arable land feel secure enough about the future to increase production and marketing, has included assurances that collectivization in the future would be strictly voluntary. In July 1953 an extreme measure was adopted: members of agricultural "cooperatives" were offered the opportunity of disbanding such units or to withdraw from them. This offer evoked such violent and apparently unprecedented response that it was followed, within a week of its announcement, by a series of severe restrictions and an intensive propaganda campaign designed to prevent a serious weakening of the "socialized" sector. Nevertheless, close to 50 percent of all collectivized peasants chose to return to individual farming. Subsequent attempts to draw these peasants back into collectives by making it hard for them to make a living outside had the effect only of holding back agricultural production.

It now appears that the Communists will abstain -- at least in the near future -- from using coercive means and will instead rely on the relative economic advantages granted the "socialized" sector, to further collectivization. Remedial measures formalized at the October 1954 Party Central Committee meeting noted the persistent failure of coercive methods to replace the profit motive as a stimulant to production efforts and called for a revision of the current agricultural price system which had been designed to further the industrial program and discriminated against the peasants. There were also suggestions of a possible further modification of the currently effective delivery quotas so as to permit the peasant to dispose of a larger proportion of his output in the open market.

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The success of these measures will be importantly affected by the ability of the industrial sector to provide agriculture with the needed equipment and with incentive goods which will induce the peasant to increase his efforts and to market his produce.

B. Industry

In the industrial sphere accumulated stresses and strains have multiplied since the inauguration of the "new course." The inflexible bureaucratic apparatus, controlled in part by Party members unsympathetic with any retreat from Hungary's former industrialization program, has proven incapable of effecting a smooth transition to the new program. Long-standing difficulties in planning and in the allocation of resources have been intensified by the new program and its lack of firm direction. The cumbersome system of materials allocations, already taxed by chronic short supply of basic materials, was incapable of coping with sporadic production shifts. As a result, some factories developed more pressing shortages even than in the past while others accumulated stocks of unneeded materials. Factory managers, reluctant to accommodate themselves to the new order and to shift from the production of capital goods to consumers' goods and agricultural equipment, frequently disregarded government directives concerned with such changes. A softer official attitude encouraged infractions of laws and violations of labor discipline. Waste and lack of attention to quality factors assumed -- by official admission -- unprecedented proportions.

Perhaps the most revealing indication of the extent of industrial difficulties was the failure to attain the new reduced goals for over-all investments and industrial production, and the need to effect further severe cuts in plans during 1954.

There is evidence that the originally scheduled increase in industrial production of 4.5 percent over 1953 -- modest as it was in comparison with the 11.8 percent growth claimed for 1953 -- was replaced in the spring or summer by a new plan that apparently scheduled a reduction from the 1953 level. This would be the first year since the inauguration of Communist style planning in the area that any satellite has admitted an interruption of the steady upward climb of the production index. Among evidences that a decline is in prospect for the year as a whole are the following: the official statement that manufacturing industries, the output of which had apparently declined in the first half year, claimed fulfillment of their plan for the third quarter by 100.5 percent on the basis of an increase of only one percent over the corresponding period of the preceding year; and the admission that per capita output in industry during the first eight months of the year was 3.3 percent below that of the similar 1953 period. As these months have been characterized by a substantial reduction in the industrial labor force, total production may have declined at an even higher rate than indicated by the per capita figures.

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There is gathering evidence that few of the "new course" provisions for industry have actually been put into effect. The projected investment shifts away from heavy industry have gone largely unimplemented with this sector still enjoying priority as against agriculture and light industry; the same applies to the production of capital equipment as against that of consumers' goods and agricultural equipment. Planned 1954 total investments, originally set at a level 14-18 percent below those of 1953 were said to have been cut again by 17 percent during the third quarter of the year, suggesting that the new planned total may now amount to only 11.5 billion forints or 30 percent less than last year's investments. If, as had been indicated, the pre-existing investment pattern has been continued within this reduced total, allocations to the newly favored sectors -- agriculture and light industry -- may actually have been smaller than they were before the new program was launched. Such investment cuts as have taken place appeared to be a de facto recognition of the failure to reach specified targets rather than a device for freeing resources for other purposes. Illustrative of such reductions, hailed as an expression of the regime's concern for popular welfare but in fact a necessity forced upon it, are the suspension of the Budapest subway construction and the postponement of a number of other large projects.

The extent to which the old pattern of production has been continued was illustrated by the admission that the 1954 plan for a 16 percent increase in the production of consumers' goods and a simultaneous two percent drop in capital equipment -- in itself inadequate to bring about a drastic change in industrial structure -- had not been accomplished. Nor had the proposed shift of attention, within heavy industry, toward basic materials been implemented. The depressed status of these industries and the ensuing possibility of a recurrence of last winter's coal shortage -- which contributed to industrial difficulties during that period -- was implicit in the admission that the lag of coal production below plan had increased from 300,000 tons in mid-summer to 450,000 tons in mid-October, and, according to unconfirmed reports, had risen to as much as 1,000,000 tons in early December.

Full details of the further industrial shifts contemplated under the revised program adopted in October 1954 have not been revealed, but it has been indicated that in 1955 output of consumers' goods and agricultural equipment are to increase by 90 and 200 percent, respectively over this year's level. As very little headway has been made in these sectors, the projected increases would be but a tardy first step toward the alleviation of long-standing shortages of these items. The development of these industries is to be fostered by a revision of the system of wages and allocations designed to eliminate the bias toward heavy industry and by a temporary reduction of the turnover tax applicable at factory levels so as to put operations on a profitable basis. In an effort to mitigate some principal sources

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of cost and inefficiency, the administrative apparatus has been drastically cut and factory managers have been vested with a greater measure of authority and responsibility. Under the new system, only basic plans of a given enterprise will be centrally established with the determination of how to implement their tasks left largely to local managers.

C. Consumers' Goods and Housing

The consumers' goods program, basic to the regime's bid for popular support, has been largely a failure. There was an initial improvement in market supplies in the wake of the announcement of July 1953, effected by the release of government stocks and the utilization for consumption of funds originally earmarked for other purposes. This was, however, neither sufficiently broad nor of a sufficiently lasting nature to provide a real incentive to the labor force. Nor did the larger supplies of durable consumers' goods which were to act as stimuli for agricultural production materialize. Such consumers' goods as have been put on the market were frequently of such inferior quality that they went unsold. Also a matter for complaint is the record of the housing program which had completed by September 30, only 13,000 of the 40,000 dwelling units planned for the year. The year's unsatisfactory yields of breadgrains and persistence of long-standing meat and fats shortages, despite a claimed all-time high in pig stocks, portend little alleviation for the near future. Nor is there much in past industrial performance to give encouragement to a significant improvement in consumers' goods supplies.

There have been attempts to streamline the bureaucratic network of trade and services and to improve local supplies by encouraging local artisans whose licensing requirements have been repeatedly eased, and by transferring the management of local enterprises from central authorities to local councils.

D. Labor Force and Attitudes

Labor's response to new course promises has been scarcely more encouraging from the regime's point of view than that of the peasantry. The launching of the new program was greeted by an upsurge of infractions of labor discipline and a drop in productivity. These persisted as workers became increasingly disillusioned with the government's failure to make good on its promises of higher living standards and better labor protection. The specter of unemployment raised by large scale labor layoffs in August and September 1954 so intensified the negative attitude of the population that the regime was forced to announce, in the wake of the dismissals, apparently unplanned pension increases and emergency measures to aid the unemployed.

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There has been little cooperation on the part of workers with the regime's attempt to relocate labor to labor short sectors of the economy. Thus, the lay-offs of administrative personnel, resorted to as an economy measure and affecting upward of eight percent of the white-collar force in government and nationalized enterprises, have had little effect on persisting labor shortages in agriculture, mining, and construction, as many of the job opportunities in these fields call for manual types of work for which the bulk of the dismissed have neither training nor inclination.

There is also little evidence that the government has been successful in its efforts to lure back to the countryside a sizeable proportion of the approximately 200,000 peasants who during the period 1949-52 left the farms for industrial employment. Nor has there been any correction of the poor housing conditions and other social shortcomings which have been largely responsible for the high labor turnover in mining.

E. Foreign Trade Problems

Hungary's chronic foreign exchange shortage and the disappearance of the traditional agricultural surpluses have lent added urgency to the need for improvement in the output of industrial products, which now make up the bulk of her exports. These problems may also effect the structure of future agricultural output programs, since recent policy statements, admitting the bleak prospects for improving grain and livestock products output, recommend concentration on luxury agricultural exports requiring little investment, eg. goose livers, poultry, wine, and paprika.

Qualitative shortcomings and non-observance of delivery schedules has hurt the foreign market for Hungarian industrial goods, while creation of new agricultural exports would entail some delay. At the same time, maintenance of domestic market supplies in the face of lagging agricultural and consumers' goods programs has necessitated imports of food and consumers' goods. For instance, the price reductions for meats and fats effected in the spring of 1954 were preceded by imports of livestock and lard. Hungary was also forced this year to buy 100,000 tons of wheat from France to fulfill export commitments to Austria and replenish domestic stocks.

The urgency of improving export possibilities exists both in regard to possibilities for trade with the non-bloc world and in connection with the intra-bloc trade which has come to make up the bulk of Hungary's foreign trade. If, as both current Hungarian and

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Soviet theoretical discussions suggest, Hungary's abandonment of more extreme aspects of her pre-1953 industrialization program is to be compensated by increased dependence on her bloc trading partners for products of heavy industry, Hungary will have to make substantial improvements in export availabilities from its existing heavy industrial establishments and re-develop light industrial and agricultural export lines as well.

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