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INFORMATION REPORT

CD NO.

COUNTRY Hungary

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DATE DISTR. 31 MAR 1949

SUBJECT Jenó Racz

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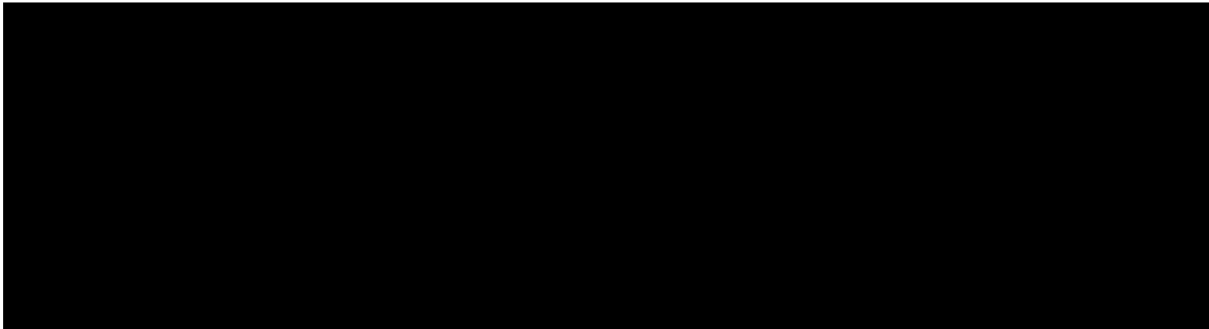
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SUPPLEMENT TO REPORT NO.



1. RACZ should be considered one of the most talented financial experts of the post-war period in Hungary. RACZ is not a Communist and has no interest in politics. Now about 40 years old, he has shown great talent in handling a variety of economic problems both inside and outside the sphere of the Finance Ministry. RACZ began his career in a large Hungarian bank and later was employed by the Budapest Chamber of Commerce and Industry. For a while he worked in the Hungarian Foreign Trade Office and during the war he helped to organize the Hungarian program for collection and distribution of food. By the end of the war he had obtained the title of ministerial adviser and was named economic consultant to Prime Minister NAGY of the Smallholders Party. This party, of which RACZ was not a member, contested the appointment of RACZ as Minister of Finance in August 1946. The Communists, who considered him too strong a man for their liking, could not at that time prevent his appointment.
2. Before the time of RACZ' appointment to the Finance Ministry, his predecessor, GORDON, who had been too weak or too venal to fight Communist infiltration into key economic positions, had allowed virtually complete control of Hungarian economy to pass into the hands of Zoltan VAS, Communist Chief of the Supreme Economic Council.
3. Since RACZ had no particular ambition to become Minister of Finance, he submitted preliminary conditions in writing. Before he entered into office, he demanded dissolution of the Secretariat of the Supreme Economic Council and restoration of various economic functions to those ministries and departments which had exercised them previously. After long negotiations, a compromise was reached whereby removal of Zoltan VAS was to be discussed six weeks after RACZ took over the Ministry of Finance. The question of dismissing VAS, however, was never raised again. Possibly, during the agreed interval of six weeks, RACZ realized that his own superior knowledge of economics, coupled with an efficient, predominately non-Communist staff in the Ministry, would enable him to keep VAS in check without dissolving the Supreme Economic Council.
4. The six months during which RACZ served as Minister of Finance represent a temporary period of conservative and bourgeois orientation within the Ministry of Finance and a conciliatory policy on the part of Zoltan VAS. The Ministry

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of Finance regained its economic power chiefly because RACZ personally concerned himself with all important problems and dominated economic discussions in the Council of Ministers and the Supreme Economic Council. Possibly his negotiations with the Soviets concerning the question of German assets in Hungary were his greatest achievement in this period.

5. Since RACZ was thwarting the program of the Soviets and of the Hungarian CP, they planned his removal. It was accomplished by an engineered ~~denunciation~~ campaign in which many defendants at the various conspiracy trials were made to testify that they had counted on support from RACZ in carrying out their plots. Since his removal, the Communists have again regained full control over Hungarian economic life.
6. The present regime in Hungary has not yet decided definitely what to do with RACZ, whether to make use of his great talents under strict supervision or to liquidate him as a dangerous person. In spite of frequent police investigations, RACZ is now employed by the Hungarian Institute for Economic Research and has just completed his work on the agricultural part of the Hungarian Five-Year Plan. He works long hours with utmost energy because of his interest in the problems involved and is still devoid of political interests or convictions. His economic policy and tenets cannot be considered reactionary, even from a Communist point of view. As Minister of Finance, RACZ was frequently more radical than his Communist State Secretary, ANTOS, whenever RACZ was convinced that a radical measure would benefit Hungary economically. He was not ideally qualified to serve as Minister of Finance because of his tendency to try to do all the work himself. He would be better fitted for a position as an economic planner on a large scale or as a high level economic consultant.
7. RACZ is currently in great financial difficulties. Last fall he was paid about 2,000 Swiss francs by an unspecified United Nations agency in Geneva for his share in preparing an economic study which appeared under the auspices of the United Nations. He had the money deposited in a Swiss bank. Later, he made arrangements to turn over these Swiss funds to a Hungarian in exchange for 18,000 forints. The Hungarian purchaser of the Swiss francs paid RACZ 18,000 forints immediately, and RACZ has already spent this sum. However, according to RACZ, former State Secretary KEMENY, now a refugee in London, whom RACZ had delegated to transfer the Swiss francs from RACZ's account to that of the Hungarian purchaser, drew out the money and then absconded with it. RACZ is now obliged to repay the sum in forints which had been advanced to him; on his present salary, it will take him two years to pay off this debt.

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