
The First Phase of Economic Reform in Hungary: 1956-1957

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In keeping with the socio-political changes that were taking place in postwar Hungary, a three-year plan was introduced in the summer of 1947, its aim being the economic reconstruction of the country after its grievous war losses. On January 1, 1950, the first five year plan was introduced; adopting the methods of the Soviet planned economy of the 1930s, it was based on Stalin's policy of industrialization and agricultural collectivization.

The bureaucratic war economy of the 1950s — accumulation was projected at 35% of national income and annual industrial growth rates of as much as 20% in some sectors were planned — which was designed to industrialize Hungary, an agricultural-industrial country, within five years, and to collectivize the peasant farms that had come into being with the land redistribution of 1945 in an even shorter time, proved unrealistic. Within a few years, the accumulation and the extraordinarily rapid growth rate had led to a fall in real wages of more than 20%. Shortages were the rule, and there were serious problems of distribution, so that the government was obliged to introduce rationing. There were no signs, however, of any change in policy: official propaganda spoke with obligatory optimism of plans successfully filled,

and, oblivious to the harsh reality that no one could fail to perceive, even spoke of rising standards of living.

After Stalin's death, however, things began to change. In June of 1953, the Central Committee of the Hungarian Workers' Party [formed in 1948 through the fusion of the Communist and the Social Democratic Parties, and the country's ruling — and only — political party] came out with a forceful condemnation of a number of the mistaken policies of the previous years. Imre Nagy replaced Mátyás Rákosi as Prime Minister. The new party programme constituted a strong public criticism of the economic policies of the first five year plan. The changed atmosphere was conducive to economic analysis and economic debate. Between 1953 and 1956, the mistakes in the planning and control mechanism were convincingly demonstrated; proposals were made as to the principles on which reform should be based, and some tiny and cautious practical steps were even taken. [Early efforts of this kind were György Péter's pioneering economic study, János Kornai's critical analysis, and the corrective measures taken by the Planning Office]. Suffice it to say that by the autumn of 1956, Hungary's economists and *some* government circles were beginning to see the need for radical reform. This is well illustrated by a comment made by Miklós Ajtai on the occasion of the presentation of János Kornai's Ph. D. thesis. "The measures specifically taken to rationalize our economic system have been very successful in curbing its distortions and faults, and might continue to be so. These measures, however, are geared to deal not with the root of the problem nor with the original source of the difficulties, but rather with the consequences". His survey of the economic debate, and the various contributions calling for radical change, ended in the following terms: "This detailed examination of the matter inexorably leads to our final conclusion: our economic system, as a coherent whole, is mistaken".¹

¹ Ph. D. thesis presentation, *Közgazdasági Szemle* (Economic Review), Nov.-Dec. 1956, p. 1483.

A month later, battles were raging in the country's streets. Our story really begins only after this, however, once the tragic autumn of 1956 had passed.

The plan for radical reform

The government headed by János Kádár that assumed power in the early winter of 1956 (with the help of the Soviet army) could have no doubt over the need for radical reform. It seemed that a great many things would have to be started anew. Hungarian communists closed ranks around a new platform, and under a new name: the Hungarian Socialist Workers' Party was now the ruling party in a one-party system. The party's new leaders had little to do with the policies of the previous decade; their first and most significant statement, passed by the provisional Central Committee in early December of 1956, reflected this: "The Rákosi-Gerö clique ... had adopted a sectarian and dogmatic economic policy ... and bureaucratic methods of leadership". Among the things to be done, they emphasized the need for an economic system "which used financial incentives in every sphere: to encourage technical improvement, to promote better quality... Planning has not become less important, but it must address itself to different tasks: it must concentrate primarily on determining the ratios in which the various sectors of the economy are to be developed" ...²

Accordingly, when the Economic Committee, the government's chief organ of economic decision-making, met in December of 1956, President Antal Apró declared that "there was a need for the creation of a comprehensive commission of economists, workers'-council members, and industrial and agricultural experts to work out for the government the problems

² *A Magyar Szocialista Munkáspárt határozatai és dokumentumai* (Resolutions and documents of the Hungarian Socialist Workers' Party), 1956-1962, Kossuth Könyvkiadó, 1964, pp. 13, 23.

relevant to economic policy planning and to economic management".³ Soon, the commission of experts was set up, with eleven sub-committees of 15 to 30 members each, to deal with the following areas: domestic and foreign trade, wages and labour, prices and material control, industrial production and organization, finance, etc. Two higher committees were to harmonize their work: the Commission for Industrial Production headed by György Péter, the President of the Central Statistical Office; and the supreme coordinating Economic Commission, whose president was Professor István Varga [the Director of the Institute for Economic Research before the war, and economic adviser to the majority Small-holders' Party during the years of coalition government just after], and whose secretary was István Antos, a member of the government. The composition and leadership of the commission left no doubt that this panel of experts would come up with a plan for radical reforms. This, obviously, was what significant forces within the party and in the government were, in fact, counting on, though others were inclined to regard the heterogeneous, "popular-front" composition of the commission as a tactical move, and wanted to channel its activities by directives, and so leave it out of the drafting and coordination of the final economic programme.⁴ This, however, proved to be a minority view.

But let us stop here for a moment to consider an earlier

³ Archives of the Institute for Party History of the Hungarian Socialist Workers' Party (hereafter: Party History Archives), 288 f. 23/1957, Minutes of the Dec. 10, 1956 session of the Economic Committee.

⁴ According to István Friss' proposals of Dec. 12 and 15, "the Economic Committee should work out the shorter programme that is to serve as guideline... with a great many experts then taking part in working out the more detailed programme... Among the experts there should, if possible, be a great many non-party members, and older experts who had acquired their reputation before the war." The suggestions of the expert commission were to be co-ordination by the government Economic Committee, which was to work out "the entire programme". Party History Archives 288 f. 23/1957, Proposal on the commissions to be set up to work out the government economic programme, Dec. 12, 1956.

event. Before the government commission of experts had even been set up, the Ministry of Finance had worked out its own very precise draft for the radical transformation of Hungary's economic system. *The contemporary issues of the planning and control of the national economy*, prepared on Dec. 5, 1956, had this to say: "The fact that the great majority of the means of production have been nationalized continues to make economic planning necessary. From this it follows that the national economy needs to be developed, and that a national programme specifying the correct proportions and relations must be worked out. However, the companies are now being run along plans that have been approved by the workers' councils. We have yet to solve the problem of how the national programme and the plans of the independent companies are to be brought into harmony... The general principle is that the national economic programme *must not be made company-specific*. The programme must be realized through influencing the companies by economic means. The companies must become independent, but certain spheres must remain under central control for the government which remains able to exert economic influence on them".⁵

To this end, the draft proposed central investment, the central distribution of vital materials, and the central control — at least temporarily — of wages. (For instance, they proposed that the per capita average wage to be paid in 1957 be centrally specified).

It followed from the nature of indirect planning and control (operating without compulsory plan indexes) that "one of the most decisive problems of reorganizing the national economy involved the price system. What was needed was a price system that... was flexible enough to adapt to practical needs". The draft proposed that consumer products should have centrally specified

⁵ Party History Archives, 288 f. 23/1957, *The timely issues of the planning and control of the national economy*. Ministry of Finance, Dec. 5, 1956 (my italics).

set prices; the prices of the means of production were to be negotiable, with central influence in this case being exerted in the form of price controls on the most important raw materials.

A whole new system of economic incentives must also be worked out. "The new economic order must rely more on the profit motive... All this argues in favour of the introduction of profit sharing". This was to be done immediately, and "was, at any rate, being pressed for by the workers' councils". (It was also proposed that company profits go not only to the state budget but also into profit-sharing, and the investment, renewal, and welfare funds of the firms).

The draft worked out by the Ministry of Finance was linked with a more comprehensive work started jointly in December of 1956 by a group of 30-40 experts from the Ministries of Finance and of light and heavy Industry, from the banks and from the National Planning Office. They were ready with their proposals in early January of 1957, so that by the spring these were being debated in various forums. Opinions were greatly divided on a number of issues; it was to clarify their position that 6 members of the planning group published their views in the *Közgazdasági Szemle* (Economic Review) in April 1957.⁶

It is not my purpose here to go into the details of these proposals; the chief principles were in harmony with those expressed in the Finance Ministry's draft; as for the main ideas, these were adopted in the reform programme (which will be described in detail) presented by the coordinating Economic Commission. Let us, then, turn to look at it.

This — let us call it "interministerial" — commission started out with the idea that planning had to be made viable by doing away with the system that "broke the plans down" for mini-

⁶ JÁNOS BOKOR, OTTÓ GADÓ, PÁL KÜRTHY, TAMÁS MEITNER, MRS. SÁNDOR SÁROSI, JENŐ WILCSEK: Javaslatt az ipar gazdasági irányításának új rendszerére (Proposal on the new system of industrial economic management), *Közgazdasági Szemle*, April, 1957, pp. 371-392.

stries and firms by compulsory directives; what was needed was a system of economic incentives to motivate the companies. The basis of economic activity and motivation in the new system was to be a "price system based on the law of value", including non-fixed consumer prices as well.

The reform envisaged a special amalgam of central direction operating along with market factors. It seemed necessary "... to get away from industrial production being primarily a matter of directives. At the same time, we do not think the introduction of some kind of purely market mechanism (free prices, production dependent on market demand, foreign competition, the absence of central direction) to be desirable either". The main line of each company was to be determined by the ministry in charge. "To start a new line, to change it, or to drop a line... requires the permission of the supervisory authority". In the same way, certain basic materials were to be distributed centrally, and prices were to be a combination of fixed and free prices.

At the same time, suggestions were made for organizational and institutional changes that would foster the companies' independence. "It would be a mistake to believe, however, that this can be achieved while leaving the companies' present organizational framework untouched... The new mechanism requires that ... companies that have been forcibly broken up be reincorporated. Likewise we should consider the possibility of pooling some of the small companies that can function quite efficiently on their own". The planners considered "some kind of agglomeration which would represent the interests of the industrial branch as a whole" as an important prerequisite of the functioning of the new mechanism. The reform programme worked out in December and January thus aimed at a balance between central planning and greater responsiveness to market influences.

The new approach to economic planning formulated in early December relied heavily, as we have seen, on the company workers' councils; in a way, their existence was the programme's

point of departure: "Centralism, bureaucratic economic planning", the preamble to the Finance Ministry's draft pronounced, "has been replaced on the workers' own initiative by the workers' councils and worker self-management. The new circumstances have made many aspects of economic planning problematic, and answers are urgently needed, at least on the theoretical plane".⁷

For all that, I shall not be dealing with the issue of worker self-management. For one thing, it deserves separate treatment; for another, it was primarily a political, not economic issue: no really significant suggestion linked the proposed economic reforms with the workers' councils. True, their activity was always in the background, and all the reform proposals considered the workers' councils compatible with working of the proposed reforms. Nevertheless, the new economic system was treated as an independent matter. The interministerial committee, for instance, took a definite stand on the matter: "We cannot agree with those who think that the introduction of a new system is necessitated by the existence of the workers' councils".⁸

The commission of economic experts called by the government had this to say: The Coordinating Economic Commission's suggestions for the new principles along which the socialist companies are to work, "the Commission would hold to be expedient even if no workers' councils were taking part in the companies' direction".⁹

Before going on to describe the Commission's activities, let me just note that by the eve of 1957, Hungary's top political leaders — as the party's Central Committee's statement of December, 1956, well shows — were determined to introduce some

⁷ Party History Archives, 288 f, 23/1957, The timely issues of the planning and control of the national economy, Ministry of Finance, Dec. 5, 1956, (my italics).

⁸ BOKOR, GADÓ, KÜRTHY, MEITNER, SÁROSI, WILCSEK, *op. cit.*, p. 375.

⁹ Party History Archives, 288 f, 23/1957, The second proposal of the Economic Commission for the economic program of the Revolutionary Worker-Peasant Government, May 29, 1957.

radical changes. The preparation of the reform was considered as a political success, and was given a great deal of publicity.

Early in January 1957, an article appeared in the *Népszabadság* (People's Liberty) — the party's central daily — with the title: "What will the new method of economic planning be like?" Earlier economic mechanisms, "inasmuch as they directed everything from above, with masses of compulsory directives which suppressed the companies' independence... frustrated the potential as much as recognizing the real interests of the national economy". The new "economic mechanism needed has been much talked about for some time now... However, there have been obstacles to getting the work under way, primarily because of the resistance of the former economic and party leaders with their stubborn devotion to the old ways... With the removal of these obstacles, work has been speeded up. The National Planning Office has set up a separate department for the working out of the guidelines of the new economic mechanism; ... the chief means of government influence on the economy are to be not compulsory directives but its planned influencing through economic methods".¹⁰ A week later, the newspaper noted that "the mistaken economic methods gave people no stake in production"; now that the companies are to be "treated as grownup", people will have an interest in their economic operation.¹¹ In early February, a series of interviews reported on the government programme being prepared. György Péter gave an account of the work being done by the Commission he headed, of how "financial incentives and economic accountability" were to replace directives. Jenő Wilcsek reported on the plans for the new price system.¹² Another week later, the *Népszabadság* emphasized the work being done by these committees on the democratization of industrial management. "The democratization

¹⁰ *Népszabadság* (People's Liberty), Jan. 5, 1957.

¹¹ *Népszabadság*, Jan. 12, 1957.

¹² *Népszabadság*, Feb. 7, 1957.

of industrial management is an important precondition of the building of socialism, a requirement that we neither want to nor will give up".¹³

There is no need to keep adding examples. Besides the newspaper articles meant for the public, however, it is interesting to look at the statements made by the trade unions, by way of directives to their activists. In February 1957, the National Council of Trade Unions gave the following impatient assessment of the economic situation: "As yet, we do not have as much as a clear outline of the new economic mechanism. The present economic situation might well temporarily necessitate a centralism that is even more absolute than before (for instance, in the distribution of raw materials and fuels), but the various ordinances and statements... are not explicit enough about the temporary nature of the momentarily justified centralized measures, but tend to emphasize, rather too strongly, the necessity of centralization in the future as well... All too often we identify the need for a planned economy with the destructive method of centralization... there is no more time to lose in formulating definite views on both the structure of the economy, and the new economic mechanism".¹⁴

In the first months of 1957, there was considerable political pressure for the radical transformation of the economy. The government, or more precisely, the committees of experts delegated by its Economic Commission, had set to work immediately.

Each committee had to submit its suggestion within a month; accordingly, the body in charge of coordinating their findings and working out a final draft, the coordinating Economic Committee headed by István Varga and István Antos, was able to submit its proposals very soon indeed. The first comprehensive

¹³ *Népszabadság*, Feb. 17, 1957.

¹⁴ Party History Archives, 288 f. 23/1957, Economic Report of the National Trade Union Council, Preliminary bulletin on the January economic situation; February 11, 1957.

reform programme was ready at the beginning of March, 1957, and the first part of the programme was submitted to the government by the end of April. At the end of May, the second half was presented with the title "The planning of the national economy, and the factors and methods of plan fulfilment"; on June 1, an all-inclusive proposal was presented.

We can hardly overestimate the significance of these proposals, for they gave a comprehensive and systematic reform programme for every sphere of the working of the economy: organization, planning and company activities.

The all-inclusive proposal¹⁵ on which what follows is based was divided into three chapters. The first described the economic situation of the moment; the second the basic principles that were the points of departure of the new economic policy; while the third chapter described the new mechanism of economic control and planning. "Staying closely on the path of centrally-directed socialist economic planning", the preamble declared, "we, too, must find those means and methods which will enable us to make our economic planning more flexible, but only for the sole purpose of making it a more effective instrument for realizing the centrally prescribed plans". "There are areas in which immediate directives will always be necessary", the document continues, "but the proper, deliberate use of indirect means of influence will make a significant proportion of the immediate directives superfluous". "Annual plans will still need to be made on the basis of the long-range plans for the national economy, and the directing bodies will be responsible for their realization within their own sphere of influence. It is only by way of an exception, however, that the various concrete plans will be given a company-by-company breakdown: for the directing bodies will see to the fulfilment of the plans that fall

¹⁵ Party History Archives, 288 f, 23/1957, The Economic Commission's all-inclusive proposals for the government's economic programme, June 1, 1957.

within their competence mostly by indirect methods. Thus the plans must define also the instruments and methods by means of which the directing bodies will be able to guarantee the fulfilment of the plan”.

The reform programme declared that the government “considered company independence one of the bases of the new system of planning”. For it to be that, however, it was vitally necessary for “the ratios of the factory prices in the price system to be an accurate reflection of the ratios of the corresponding production and social costs”.

The price reform was to affect everything from industrial factory prices through service costs to consumers’ prices. Besides the introduction of fixed, maximum and free prices, it was considered inevitable that consumer price ratios should also be transformed to reflect real values: “At the same time as the new price system is introduced... the basic costs of living are to be made more proportionate in terms of one another”. Substantial increases were to be made within a period of 3 to 5 years in rents, public transport fares, and in service costs, with the consumers’ expenses being compensated by wage rises (rent allowances) to come from cuts in the value-added tax built into the price of industrial goods. What was more, “Hungary’s peculiar circumstances make it increasingly pressing for us to give adequate consideration to world market prices in working out our new price system. To be able to set proper prices on imports, what we need first of all is to determine a realistic exchange rate... The prices of imported raw materials must reflect the real costs of acquiring them”. At the same time, “the exporting productive enterprises must acquire an interest in selling abroad at foreign market prices. These enterprises must be paid the price at which the goods were sold abroad in forints calculated at the real exchange rate”. The enterprises would, thus, have the market prices to orient them, and to give them an interest in production. In keeping with this line of thought, the proposal took a stand for the

immediate introduction of profit sharing. For the enterprises to become independent, however, the systems of company investments and financing also needed to be altered. For this reason, "... we are introducing a system of supplying the enterprises with fixed and floating assets which puts an end to the present practice of their using fixed and circulating assets free of charge, and will require them to pay rent for the fixed assets, and a relatively high interest on the circulating assets they use".

The reform programme dealt also with the management of the economy. In the new system the National Planning Commission would be the chief managing body, which was to include, besides the various economic ministers and bank presidents, economic experts in every field. "The ministries are to be relieved of a great deal of their operational work". Their tasks were to be mainly the working out of development plans, preparing investments, gathering market information, and supervising the enterprises. Direct management was to cease at the intermediate level too, its place being taken by pools and corporations coordinating related groups of enterprises, bodies which were to be in direct contact with the ministries. As an earlier draft of the programme put it: "We ought to examine whether after a certain transitional period it would not be better to set up one unified ministry of industry".¹⁶

In spite of the plans for radical changes, the reform programme contained an extraordinary number of safeguards to guarantee the effectiveness of central planning. Primary among these was the provision that investments were to continue to be allocated from a centralized budget.¹⁷ The reform proposal considered

¹⁶ Party History Archives, 288 f. 23/1957, Proposals on the shaping of the country's economic structure and mechanism, March 2, 1957, István Antos, István Varga.

¹⁷ Increased company independence, therefore "can nowhere mean that central direction is abandoned or even slackened. Thus, for example, though the companies can make proposals regarding investments, ... the decision on what investments to make

the central allocation of materials likewise necessary for a long time to come, maintaining that it could be done away with only when goods were "plentiful". Central control over prices was also built into the system, the free formation of prices by the market being envisaged only in certain areas, and even there only when goods were abundant.¹⁸ In addition, the system of immediate economic directives was also declared to be tenable under certain — not precisely specified — conditions.

The commission of economic experts, much as they were committed to radical change, included realistic transitional measures in their reform programme, as well as guarantees of effective central direction. Although substantial structural changes were undeniably proposed by the all-inclusive reform programme submitted in the summer of 1957, there were definite signs of compromise, of an inclination to moderate the demands for reform. This is demonstrated by the letter written on June 17, 1957 by István Varga and István Antos to Antal Apró, president of the government's Economic Committee. In this letter the heads of the expert Commission informed him that four members of the Commission had submitted a minority paper along with the second report of May 29. By way of background, we read the following: "The original proposal was based on the idea that the system of compulsory plan directives is to be done away with (except in the case of investments), and that the fulfilment of the plan adopted by the government would be guaranteed through a system of economic incentives. In the course of the meetings of the Coordinating Economic Commission, this original idea underwent some alteration. The document enclosed here starts

is to be exclusively a central one. Failing this, there is no guarantee that the national economy will develop in the right direction".

¹⁸ If there are no shortages, "... it is possible that the price of the plentifully available goods will be made free... We must emphasize, however, that even in the distant future this can become practice only in the case of goods that are less important in production and to the consumer". Staples, basic raw materials, basic industrial products and major services "... will always have to be set maximal and minimal prices".

out from the assumption that the system of compulsory plan directives is to be employed under certain circumstances".¹⁹

That there had, indeed, been a retreat is evident also if we compare the first draft of the reform programme prepared by the Commission and signed by István Antos and István Varga on March 2, 1957 (*Proposals on the economic structure and mechanism to be introduced*) with the all-inclusive proposal submitted at the end of May described above. In contrast with the strict limitation of the May proposal which considered free prices possible only in the case of goods of secondary importance, the draft of early March had as their basis the following idea: "Once goods have become plentiful, in all areas where there is no longer a shortage the prices of industrial products will be influenced by the law of supply and demand". No provisos are attached to the following statement either: "State subsidies must, in theory, be done away with all along the line".

Naturally, the proposals on the reform of the price system were closely tied to the idea that planning based on directives must be progressively done away with. "Enterprises" we read in the programme of early March, "will continue to function as planned economies. Each company will continue to make company plans, though these will not be of the nature of compulsory directives. The companies and the ministries and the National Planning Office will inform each other mutually, but the central plans will not bind the companies. "In managing the companies... greater rôles will be given to various economic means, for instance, the credit, price and tax policies". In Appendix 1 attached to the proposal, the Committee on Industrial Organization put this same thought another way when it stated: "Among the new methods of the economic management of the existing enterprises, indirect, economic measures must gradually

¹⁹ Party History Archives, 288 f. 23/1957, István Varga and István Antos's letter of June 17, 1957, to Antal Apró.

come to predominate; these must become the primary instruments of the working of the economy and market structures... Measures of this sort are the price system, and various forms of taxation, ... the credit system, and allowing the companies a greater financial interest in production through changes in the wage and bonus systems”.

By this interpretation, “the owner, the state, was leasing the company, i.e. the fixed and circulating assets, and the goodwill of the firm, to the company collective”. In return, the company was to pay 5-6% rent for the fixed assets it used; was to pay the interest rate it had bid for its share of the central renewal and investment fund; and was to pay an interest of 18-20% on the circulating assets it used. The residual profits, however, the company could use to create a contingency fund to insure flexible management, and to pay profit shares. Companies which were poorly managed and were unable to meet these requirements might go bankrupt. “In some cases”, the plan noted, “non-solvent companies might have bankruptcy proceedings taken against them”.

As István Varga and István Antos had put it in the letter quoted above, this initial conception relegated direct central intervention to a single sphere: investment. It is same idea that we find in the early March plan: “Investment funds will continue to be allocated through detailed directives”. But even these centralized investments were linked with the idea of company independence, for “the new establishments are to be strictly planned, and the cost borne by the budget, not free of charge, however, but at an interest rate generally prescribed for the use of independent funds”. However, the starting of a new enterprise would be a company matter, with the company being incorporated and its managers appointed before the investments were started, the managers having an interest from the company’s very inception in the most economic investments possible, and being themselves in charge of the investments. Though this system left room for

investment from company profits, these would hardly be on a scale comparable to the amounts centrally invested from the budget.

In concluding this discussion of the comprehensive reform planned, we must note that the committee of experts had in mind also the restoration of the country's economic equilibrium. The scarcity of goods being as bad as it was, they thought that a number of direct, central measures would, initially, be necessary, but that these could be gradually done away with once balance was restored, or, as they frequently put it, once supplies were "plentiful". They thought that it would take all of 1957 and 1958 for the economy to get on its feet. It was with this in mind that they stated that the new "economic mechanism can be introduced but gradually". At the same time, it had been made quite clear in the Appendix 1, referred to above, just what was meant by gradualism, and what was not: "Gradualism does not mean that the step-by-step introduction of these reforms should be, or can be put off for years. The old methods of economic planning cannot be continued, for they cannot solve our present grave difficulties..."

Counter-proposals aimed at partial solutions

Before going on to give an account of what happened to the proposals made by the government commission of economic experts, let me go back a bit to another angle of the story. From the beginning, as was to be expected, there was an extraordinarily strong group which argued the system of planning and control of the 'fifties had been basically appropriate, and who wanted only to do away with its "excesses and distortions". This group was most energetic in its repudiation of radical reforms. They argued that the July 1956 meeting of the Central Committee of the Hungarian Workers' Party — which had recalled Mátyás Rákosi from his post as Secretary-General "for reasons of health"

and had put Ernő Gerő, who had been second in command in his place as head of the party — had specified the way out of the economic crisis as well: the second five year plan (for the years between 1956 and 1960) was to have set the economy on the right track. It was this process that the events of October 1956 had interrupted. Now that political stability had been restored, ran this line of argument, nothing more needed to be done than to return to the path laid out in July. This view was clearly put by István Friss, Head of the Economic policy Department of the Central Committee of the Hungarian Socialist Workers' Party in the course of the parliamentary debate on planning and the budget in June of 1957: "... After many healthy initiatives, in June of 1956 the party took a stand for what was essentially the right economic policy and method of economic planning: ... the democratization of economic life, a considerable degree of decentralization, greater local independence, and a better system of giving the individual an interest in production through economic incentives". And since October of 1956, "significant steps have been taken along this correctly chosen path".²⁰

Thus, while — in accordance with the decision brought by the Hungarian Socialist Workers' Party in December 7 of 1956 — the economic expert commission convened by the government set about working out the new system of economic planning and control as described so far, the adherents of this alternative conception were also busy detailing their solutions and trying to win it acceptance. Their stand was exceptionally well summed up in a memorandum of May 24, 1957, entitled *The Party's economic policy*. "We are firmly committed to the Marxist-Leninist principle of central direction and planning for the whole of the national economy... At the same time, we must, obviously, learn from the mistakes made, and must correct them... Central planning for the whole of the national economy, must be conjoined

²⁰ ISTVÁN FRISS, Gazdaságpolitikai problémáink és az 1957. évi terv (Our economic policy problems and the 1957 plan), *Közgazdasági Szemle*, July, 1957, p. 704.

with maximal local independence, and the encouragement of local initiative. The party's decisions of July, 1956, point in this direction; we were on this road before the counterrevolution, and are continuing along it since the counterrevolution was defeated".²¹

A few days later, a revised version of the memorandum added that "... Lenin's concept of democratic centralism be applied to the country's economic life".²²

Naturally, it would be fruitless to go into a theoretical discussion of how far the "Marxist-Leninist principle of central direction and planning for the whole of the national economy" was *not*, by the very nature of the thing, a theoretically grounded policy of planning and control, more precisely, to go into the fact that in the last years of Lenin's life, after the victory of the revolution, this "principle" had proved as compatible with the system of direct distribution used under war communism as with the market mechanisms operating under NEP. Even more fruitless would be a discussion of how far Lenin's theory of "democratic centralism", a principle of party organization, was applicable to economic planning.

In any case, decentralization was an important principle of this approach to correcting the shortcomings of the functioning of the economy. Extraordinarily interesting in this regard was the work done during these months by the Economic Policy Department of the Hungarian Socialist Workers' Party under István Friss's direction, which aimed at the *rationalization* of the earlier system of planning. Thus, while the government commission of economic experts were finalizing their programme — whose main points had been public since the Spring — another reform project got under way, the two being completed at about the same time. Friss and his colleagues were analyzing how affairs

²¹ Party History Archives, 288 f. 23/1957, The party's economic policy, May 24, 1957, Economic Department of the Central Committee.

²² *loc. cit.*, May 27, 1957.

stood in 30 industrial companies in the spring of 1957. "This period", concluded István Friss in his report, "was one in which the system of economic planning operating up to October 23, 1956, was no longer in effect, and no new methods of management had yet been introduced. Under these circumstances, it was the companies themselves which had to come up with the methods absolutely necessary for management, and adopt the ones they thought best. This in fact means that in industry — and in other branches of the economy as well — the past has been a period of nation-wide experimentation".²³

The findings were really interesting. As the director of the Csepel Auto Works reported, "In December of the past year, and in January and February of 1957, there was no central or ministerial planned economic management to speak of. Our company was given only one figure by way of projected volume of production, which set our value of output at a maximum of 60% of what it had been in the comparable quarter of the previous year. Just what goods were to make up this projected figure was decided by the company quite independently through getting into contact with the companies it cooperated with and with the buyers. It was on the basis of their demands that the production plans were made, that personal needs and production costs were estimated".²⁴

In the April 4 Machine Works the situation had been analogous: "The two chief indicators prescribed for the company had been the profit on the finished products and the export plan... All the details of satisfying these two central directives were left to the company to work out".²⁵

From all this, István Friss concluded the following: "One of the most positive results of the past period is without doubt

²³ Party History Archives, 288 f. 23/1957, Some contemporary problems of the direction and management of industrial enterprises, István Friss, July 8, 1957.

²⁴ Party History Archives, 288 f. 23/1957, report of June 18, 1957.

²⁵ *loc. cit.*, report of June 15, 1957.

that uniformity in planning, has been done away with... the plans made are more suited to the industry and company in question than before".²⁶ The National Worsted Mill, for instance, had been given centrally set investment quotas, had had the quantity of finished goods specified, as well as the quantity of the raw materials and wool that could be used up, and had had the average salary and productiveness centrally set. The Kőbánya Pharmaceutical Company had received directives as to the production quantity of three special products, had had the forint value of its exports (and the quantity of two main export products) set, and had had its wage fund, its gross profits, and the quantity it could use of the two most important raw materials specified. "Gross production value" was seldom prescribed, and then mainly in the food processing industry.

On the basis of all this, István Friss drew the following conclusion: "It follows from our findings about the present state of planning that it is a good idea to prescribe for the companies the quantity of the products that are most important to the national economy, to prescribe the export plan, to set a maximum on the use of the most important raw materials, to specify one factor regulating wages, as well as the company's productivity and total expenses. The company-by-company prescription of these indicators seems justified by a variety of circumstances... failing this, it would be a matter of chance how the various companies got a hold of the materials needed for their various products, to say nothing of the wave of speculation and corruption that would inevitably ensue".

The proposal, however, was to let the companies keep the independence they had acquired, and to keep central direction less obtrusive: "This spontaneously developed situation ought to be made permanent, and steps should be taken to prevent the success of the efforts undoubtedly being made for the

²⁶ Party History Archives, 288 f. 23/1957.

ministries to restore all the earlier constraints of planning without exception ”.

From the point of view of the rationalization of planning, the above summary claimed that important lesson had been learned as it had not been in the days of detailed production plans. The ministries did not now prescribe company production lines, but left it to “ the industrial and wholesale companies concerned to draw these up themselves ”, which resulted in a better satisfaction of consumer demand.

There were also a great many spontaneous changes in the system of wages.²⁷ It was during these months that wage planning shifted from the direct control of wages to the prescription of average wages. The companies were generally very critical of this step. “ Average wage control is not very popular; the companies have come out very strongly against it. The chief criticism is that it prevents wage rises ” and that “ it results in intra-company unemployment, for they take unnecessary workers at low pay so as to get a low enough average. The measure tends to inhibit the growth of productivity... It is an impediment to the introduction of wages high enough to serve as an incentive to work ”. In spite of this, the proposal was categorical in its position: “ It was necessary to prescribe average wages, and it continues to be necessary to keep central control over average wages, or else... wages would grow at very different rates. This would result, on the one hand, in a great fluctuation of manpower, and on the other, in too great a rise in wages in some places ”.²⁸

²⁷ To October of 1956, two-thirds of the workers were paid by piecework; from November on straight hourly wages practically became the rule, the amount being set on the basis of the earnings for the year's third quarter. Subsequently, however, the companies experimented, with all kinds of solutions. Hourly wages tied to individual performance were introduced, as were task bonuses, and piecework and hourly wages combined. The earlier system of complete central control over bonuses practically came to an end, and the companies received their bonus funds in an absolute sum, part of it to be disposed over by the company management, part of it to be paid out upon the satisfaction of conditions specified by the ministries.

²⁸ The proposal argued that the system of profit sharing, also newly introduced, could

István Friss, thus, proposed a basic adherence to the old system of planning and control, with provisions for the correction of its mechanism.

The immediate practical economic adjustments

While the various reform programmes were being worked out, there was also the need for immediate practical decisions. Matters could not be put off under the given political and economic circumstances. A whole series of practical improvements was brought to the attention of the government, and its Economic Committee and other government bodies could hardly manage to review all the reforms being constantly introduced. Let us look now at some of the more important ones.

One of the first moves involved changes in the price system. As early as December 1956 the government Economic Committee was discussing proposals for the creation of a Price Office. As the proposal put it: "The democratization of our economic life, the introduction of the new economic mechanism necessitates our taking a stand on the role of prices and on price control... In the new economic system to be introduced, central price control need not apply to all areas of production and marketing, for the companies must have a significant role in setting prices, ... and indirect, looser forms of price control must be more extensively".²⁹

A month and a half later, the president of the new National Price Office was expounding the following to the Economic Committee in the proposal entitled *on the actual tasks of industrial price control*. "The Economic Committee has concluded that

not be adequately evaluated, for "... increased company independence has become the practice at a time when prices do not properly reflect production costs, a circumstance that has led to a great many contradictions and negative results. Our investigations have, therefore, shown that it is time that the issue of factory prices was settled".

²⁹ Party History Archives, 288 f. 23/1957, Proposal for the establishment of a Price Office made to the Economic Committee, Dec. 14, 1956.

the system of subsidized prices is not consonant with a socialist price mechanism, and can, thus, be maintained only temporarily. After industrial production and industrial cost prices have become normalized, industrial factory prices must be set by December 31, 1957, so that they might come into effect on January 1, 1958". The proposal linked the setting of value-prices with the demand for company independence, and the actual fact of worker self-management: "... The withering away of economic incentives", noted Béla Csikós-Nagy, "would come precisely at a time when we are hoping to make worker self-management a part of the economic mechanism".³⁰

At the same time, to protect consumer prices, the government temporarily set industrial price controls in March, emphatically emphasizing, however, that consumer subsidies "were not in keeping with a socialist price mechanism", and would be kept up only until factory prices were settled.³¹ In fact, work was already going on on the reform of factory prices, the goal being to make them value and/or cost reflecting in order that they might serve as economic guidelines and incentives.

The most significant and most consistent reforms, however, were in the field of agriculture. The decision behind them was, obviously, of a political nature: for the consolidation of power, it was vital to win the support of the peasantry, and this could not be done merely by putting an end to the forced collectivization and administrative molestations of the 'fifties. The hated compulsory deliveries had also to be done away with, all the more so since in October 1956, Imre Nagy's government had already completed the earlier modifications and ameliorations of the system by abrogating compulsory deliveries as such. Political considerations alone excluded a return to the old methods. Much

³⁰ Party History Archives, 288 f. 23/1957, The proposals of the President of the National Price Office made to the Economic Committee, June 31, 1957.

³¹ Resolution 1029/1957 of the Hungarian Revolutionary Worker-Peasant Government, *Magyar Közlöny*, March 10, 1957.

the same could be said of the other method of central agricultural planning, the compulsory sowing plans.

In November, 1956, therefore, the government announced the abolition of compulsory deliveries and other obligations. With this, the foundations of the earlier system of planning in this branch were completely undermined. Here, it was not only this element or that of the old system that was replaced: instead of compulsory directives mediating between the government and the peasantry, their economic relationship was now essentially regulated by the market. Instead of prescribing compulsory sowing plans and setting compulsory delivery quotas, the government was left with setting agricultural prices high enough to serve as an incentive to production. Thus we find the Minister of Food observing in the Spring of 1958: "After compulsory deliveries were abolished, the relationship of the state and the peasantry ceased to be an administrative one and became primarily a trade relationship".³² The logic of the matter required not only the raising of the previous unrealistically low buying price to one more closely approximating to the real value of the goods bought, but also the abrogation of all administrative measures that artificially discriminated against small producers. Decree 3263/1957 provided for the introduction of a uniform agricultural price system.

Naturally, the government had to fight to win acceptance for its new agricultural policy. In Borsod county, for instance, in the summer of 1957 the Edelény District Council circulated "pledge-collecting" papers. "In some places", the report prepared for the National Purchasing Committee noted, "we found dangerous practices being indulged in especially by the councils, namely, that they are using the old methods of pressure to realize the government's plans for buying up agricultural products on the

³² Party History Archives, 288 f. 23/1958, Proposals made to the Hungarian Revolutionary Worker-Peasant Government, May 2, 1958, Minister of Foodsupply.

market, and thus are doing more harm than good... Excesses are to be found easily enough, and peasants have been compelled to "pledge" their products when the quantity thus obtained is insignificant... We must emphasize in particular that it is only now that the producers are beginning to believe that compulsory deliveries have ended".³³

A variety of reforms was a day-to-day necessity in other areas as well. In March of 1957, for instance, the Minister for Light Industry urged the introduction of a mechanism best suited to serve the new economic goals. Nothing is a better illustration of the contradictory nature of the reform steps taken under the pressure of circumstances than this proposal. The old reflexes, the ossification of old economic practice into a so-called "socialist economic theory" were to be seen everywhere, as these lines from the Minister's proposal urging a flexible approach to incentives and profits very well shows: "... We must count on the probability that certain products which are less profitable to manufacture or would actually involve losses will be neglected by the companies. To avoid this, the directorates... will give directives for the manufacture of these products, and by way of sanction, should the companies fail to comply, will have the power to cut their profits".³⁴ Compulsory directive, thus, survived as the last resort. It was not only the ministries, however, that were prone to this view. The companies, too, felt insecure in the new milieu, and when, around the turn of 1956 and 1957, central planning became reduced to only certain compulsory indicators which left the companies with incomparably greater liberty than before (in the areas, for instance, of production line sales, and procurements), a great many companies — partly because the nature of planning had not really changed the fewer

³³ Party History Archives, 288 f. 23/1957, July 22, 1957.

³⁴ Party History Archives, 288 f. 23/1957, Proposals to the Economic Committee, March 26, 1957.

indicators notwithstanding, and partly because most of the company managers were more at home in a centralized economic system — required a return to more decisive central planning. Accordingly, “... the ministerial and *company* managing bodies urged the restoration of disciplined planning as a precondition of plan fulfilment”.³⁵

When the partial reform of the planning system was being discussed in 1956, there had been economists who had warned in no uncertain terms: “... we cannot hope to find the solution in purely quantitative cuts in the numbers of compulsory directives, reports, and administrative staff”. Events were proving them right with uncanny speed. Just as true proved to be another point made at the time, namely, that such partial measures which left intact the essence of the mechanism of planning based on compulsory directives “can serve only to strengthen an unhealthy kind of spontaneity which will give rise to its own counter-tendency: the attempt to restore the abolished plan indicators and bonus specifications”.³⁶

But contradictory as the situation was, the government set about introducing a whole series of reforms. Partial reforms were being worked on, for instance, for the regulation of foreign trade. In January of 1957, the Economic Committee discussed the proposals made by the Minister of Finance and the Minister of Foreign Trade for changes in the system of price equalization used in foreign trade till that time.³⁷ Even while the reforms were

³⁵ Party History Archives, 288 f. 23/1959, The changes of economic guidance since 1957, concerning industrial production. Appendix No. 1. National Planning Office. April 17, 1959 (*italics mine*).

³⁶ On the occasion of János Kornai's Ph. D. thesis presentation, Sept. 1956; cf. *Közgazdasági Szemle*, Nov.-Dec. 1956, pp. 1490-92.

³⁷ Party History Archives, 288 f. 23/1957, Proposals to the Economic Committee on modifications in the system of price equalization in foreign trade, Jan. 25, 1957, István Antos and Jenő Incze. Price equalization developed “... as a part of an export policy that concentrated purely on the volume of exports”, and automatically made up the difference between the domestic prices and the price — however low — at which the goods were sold abroad (in 1955-56, money thus paid out from the budget

being worked out, the two ministers suggested, "... definite steps need to be taken to encourage more economical foreign-trade activity... all the more so as more and more companies are being given foreign-trade rights..." The proposal was to introduce a domestic surcharge from April 1957 on to make up for the difference between the unrealistic exchange rate in effect and the realistic exchange rate. "The present exchange rate... discourages exports and encourages imports". At the same time, the proposal urged that "the automatic settling of the occasional real differences in prices from the state budget be put an end to at once".³⁸

Until comprehensive reform could be introduced, thus, temporary and partial measures were taken to eliminate undesirable effects and to make the economy run more smoothly.

Among the corrective measures was the revision of the earlier doctrinaire stand on the practically wholesale restriction of private enterprise. In agriculture and industry alike, the private sector was now thought to be both possible and necessary, and even within the cooperative sector, the cultivation of household plots for the market was encouraged. The change in attitude is well reflected by the report of the President of the National Planning Office of mid-December, 1956: "The National Planning Office started preparing the plans for 1957 on the basis of the following major considerations: ... private initiative must be given much greater scope than before in production and commerce alike; to this end, private investments of benefit to the national

came to over 10 billion forints). For this reason, the introduction of a price system and an exchange rate that reflected real values was absolutely necessary.

³⁸ The official exchange rate was 1 U.S. \$ = 11.75 Ft; the suggested surcharge was to make up for the difference between this official rate and the non-official "shadow" exchange rate of 30 Ft to the dollar; instead of the automatic settlement of the price differences, the introduction of fixed price equalization rates was suggested, one which would not allow the companies to make claims on all their losses, but only on those permitted by the rates which were to be fixed by types of goods on the basis of past years' experience.

economy must be promoted".³⁹ Paragraph four of Decree 1014/1957.1.26 specified the conditions under which small tradesmen could work for the public sector.⁴⁰

It was to encourage private enterprise that the government's Economic Committee made its decision of February 1, 1957 concerning the leasing of certain state-owned shops.

Those small retail stores and restaurants which were operated "as public enterprises only with great difficulty" were to be leased out to private entrepreneurs. This "is to be started as an experiment involving about 200 units; altogether, about 1,000 units, or about 6% of the retail network will be up for lease". Simultaneously, privately owned retail shops were also to increase in number. The proposal was to raise the number of private retail shops from the existing 9,500 to "at the most 20,000".⁴¹ On February 19, there was a government decree to this effect.⁴² The matter of nationalized housing was also reviewed.⁴³

There seems little need to go on adding further examples of the variety of reform steps being taken. Many people believed that improvements of this sort could make the economy run more smoothly, and would prove to provide adequate answers to the problems at hand.

³⁹ Party History Archives, 288 f. 23/1957, The proposals made by the National Planning Office on Dec. 14, 1956, Árpád Kiss.

⁴⁰ "We must make provisions for small tradesmen to be able to get contracts from the public sector without restrictions, on the basis of competitive offers publicly made... The materials they need for doing these jobs have to be guaranteed them at the price they are available at to the other productive sectors." Party History Archives, 288 f. 23/1958, Proposal to the Hungarian Revolutionary Worker-Peasant Government on work done by small tradesmen for state bodies and companies, July 5, 1958, Mrs. József Nagy and István Antos.

⁴¹ Party History Archives, 288 f., 23/1957, The decision taken by the Economic Committee on Feb. 1, 1957, and the proposal by János Tausz, minister, on Jan. 18, 1957.

⁴² Decree 1022/1957 of the Hungarian Revolutionary Worker-Peasant Government, *Magyar Közlöny*, April 21, 1957.

⁴³ Law-decree No. 28, 1957 of the Republic's Presidential Council, *Magyar Közlöny*, April 21, 1957.

The assault on the plans for radical reform

Those who considered any substantial departure from the economic order of the fifties basically incompatible with socialism believed that the economy could be set on its feet with the more rational, practical solutions that day-to-day experience had necessarily given rise to. On this interpretation, these immediate solutions were not a transition to a more comprehensive, radical reform, but were in fact substitutes for it, for radical transformation was rejected on principle.

At the same time, the expert committees of economists appointed by the government all came out with proposals calling for unambiguous and immediate radical reform. The Economic Commission already much quoted explicitly emphasized that the introduction of just some elements of their reform programme could not possibly lead to any solutions. The proposals advanced by the inter-ministerial committee of experts in January came out strongly against gradualism and any attempts to introduce small, or partial improvements.

“As far as we can see, the introduction of the complete mechanism cannot be regarded as a distant goal to be realized sometime in the future... We must not forget that economic policy and the economic mechanism exert influence on each other”. “The right economic goals cannot be based on the present mechanism; in fact, this mechanism — which does not even let us see clearly in economic matters — will hardly let us develop a proper economic policy”.

At the same time, the experts noted: “The measures already taken to simplify central directives — and indicators — and to increase company independence have proven ineffective. At best, they have led to small quantitative changes, but to no qualitative change”.

The great majority of the country's economists shared these views, and were engaged in vociferous debates with those commit-

ted to partial improvements. With the consolidation of political power, however, this latter group started a determined counter-offensive.

Here, of course, it was not merely a matter of differences over the kinds of economic solutions envisaged. The counter-offensive against the "reformists" was a political and ideological struggle. Just how far this was the case is clearly indicated by a study dated May 24, 1957, written by Andor Berei, a member of the party leadership and president of the National Planning Office 1956. The study was meant for publication and was entitled *A call for ideological struggle against the revisionist economic theories*. It is indicative of the significance of the views expressed that the provisional Political Committee of the Hungarian Socialist Workers' Party felt it necessary to discuss the article. It will be worth our while to have a look at the main arguments of this rather lengthy study.

"Revisionist views", the author started out, "were becoming ever more frequent in Hungarian economic writing before October, 1956... These views are influencing our economic life at the present, too, to no negligible extent. This article... is a critical analysis of the most fashionable form of economic revisionism in Hungary today, the trend that claims to stand for "a new economic mechanism". Though its exponents start out by criticising real shortcomings, "they tend to exaggerate the shortcomings that there are, and to generalize them".

After the preamble, Andor Berei put the question that was most important from the point of view of the argument: "Is it possible... to plan for the national economy in all its branches without compulsory directives involving every part of the country? At the present state of socialist economic development", he immediately answered, "the nation's economy can be planned only through centrally elaborated state planning... These unified, central plans can be confidently and uniformly realized only through the use of state intervention, primarily through

compulsory directives regulating production, marketing, etc. If the plans were not in the form of directives, they would no longer have a realistic chance of being fulfilled. On what grounds would we call "plan" an economic programme that was neither law nor directive...?"

After this strong stand for the traditional form of planning as the sole possibility, the author goes on: "The economists proclaiming the new mechanism say that the termination of the "system of directives" will not preclude the fulfilment of the nation's economic plans because the state will be able to influence the activities of the companies through financial and other indirect means... Financial, credit, and other instruments, however, cannot in themselves insure that thousands and tens of thousands of companies will produce and deliver goods of the kind required by the unified national plan, and in the quantity required..."

In this view, an end to compulsory company-by-company directives would be tantamount to a return to capitalism: "There is an unresolvable contradiction in the new economic mechanism between the theoretical recognition of the need for planning and its practical repudiation. With the termination of the dominant role of the socialist state in the economy, economic planning itself would come to an end. Willingly, the new mechanism is a return to anarchy in production, to the rule of "blind laws" ... and would serve to "reproduce" the capitalist elements in the national economy more and more every day". "The revisionist critics of economic planning... have dethroned the peculiar laws of socialist development, and have set on the empty throne not a new idol, but a very old one, the law of value". Berei's verdict is categorical and unequivocal: "The views and theories hall-marked by the name new economic mechanism, while they might be right in some matters of detail, are fundamentally the wholesale revision of the Leninist principles of building a socialist economy, of major theses of socialist political economy... We

reject the new economic mechanism as a form of revisionism, as a mistaken theory that would set us on the wrong track..."

It cannot be considered a coincidence that Andor Berei thought it necessary to make a personal attack on István Varga, the head of the governmental expert commission feverishly working on the new reform programme: The new mechanism, Berei wrote, as "István Varga — who, with admirable candour openly confesses himself to be a non-Marxist economist — tells us, can work only when the national economy is balanced. ... The adherents of the new mechanism clearly hope that if this balance exists from the beginning, even their economic system will not destroy it... The final judgement on the new economic mechanism is pronounced precisely by the fact that a balanced national economy is something which this system can hope to achieve neither at the start, nor in the course of its existence".⁴⁴

I have dwelt on this article at some length, for it is an extremely clear expression of the views of those opposed to more radical reform. It is just as clear a stand for moderate improvements as opposed to a new economic mechanism: "The way to correct the mistakes that have been made", wrote Andor Berei, "is not to destroy the foundations of economic planning, which alone are adequate to the demands of a socialist economy, but rather to eradicate completely the anti-democratic, bureaucratic, and subjective distortions that have attended the realization of the Leninist principles of a socialist economy... To the economist calling for another mechanism, we answer: not another one, but this one better! What we need is not a new mechanism, but that the system of economic planning now in operation should work better, more perfectly". The conclusion followed from the logic of this kind of argument: "The revisionist views attached to the new economic mechanism not only do not promote,

⁴⁴ Party History Archives, 288 f. 11/85, The draft by ANDOR BEREI: "A call for ideological struggle against the revisionist economic views", May 24, 1957.

but are actually one of the greatest impediments to the success of the extraordinarily necessary attempts being made" to find a way out of the difficulties... "The new mechanism is not an economic panacea, but one of the most destructive forms of revisionism. Convincing ideological battle must be waged against it".⁴⁵

Analogous positions were stated in a variety of forms from spring of 1957 on. In a debate held on March 19 at the National Planning Office, a number of those working at the Office argued against the radical reforms being urged by others, and for the retention of the system of central directives.⁴⁶

In the April number of the *Közgazdasági Szemle* (Economic Review), Ilona Bieber, József Fábrián and Emil Gyulyás's joint article essentially denied that the mistakes of the fifties originated in the system of planning and management: "We maintain that the mistakes in Hungary were rooted not in the economic base, in the relations of production, but in the economic policy. The economic policy was over ambitious... The correction of these economic policy mistakes does not necessitate qualitative changes of the sort that would involve the alteration of the socialist relations of production".⁴⁷ We find the same kind of opposition of economic correctives and the new mechanism in

⁴⁵ *loc. cit.*

⁴⁶ Debate on the perfecting of economic planning held at the National Planning Office, *Közgazdasági Szemle*, May, 1957, pp. 568-577. Albert Katócs argued that since the goal was the development of a new industrial structure, and since this could be done only through planning, "we cannot afford to do without specific plans at this time". István Bartos and Tamás Morva emphasized that "we need only quantitative changes to develop the economic mechanism"; a system of incentives based on the law of value can be auxiliary at best. Repeating this idea, Pál Füsti concluded: "Our task now is to correct the mistakes and not to dispense with planning". József Soós put this question: "How could the mechanism guarantee the goods adequate to the buying power our plans provide for when the companies would, essentially, be producing what is most economical from their point of view?"

⁴⁷ ILONA BIEBER, JÓZSEF FÁBRIÁN, EMIL GULYÁS: Megjegyzések a *Közgazdasági Szemle* 1956. 11-12. számának vezércikkéhez (Some comments on the leader of No. 11-12, 1956, of the *Közgazdasági Szemle*), *Közgazdasági Szemle*, April, 1957, p. 396.

an article by Géza Ripp, "Economic planning or anarchy", which appeared in the *Gazdasági Figyelő* (Economic Observer).⁴⁸

Endre Molnár attacked the various articles in the *Közgazdasági Szemle* defending the new mechanism in the central theoretical journal of the Hungarian Socialist Workers' Party, the *Társadalmi Szemle* (Social Review). In his article entitled "Revisionist views on the economic role of the socialist state",⁴⁹ he expounded the following: "In the course of the attempt to work out the new economic mechanism, an attack was launched on Stalin's observation that our plans are not prophecies, they are not guesses, but directives'. The proposals calling for the new economic mechanism have in common that they are attacking the strongly centralized state direction of the economy, a state direction which takes the form primarily of unified, compulsory plans which comprehend the national economy as a whole". "The advocates of the new economic mechanism", he goes on, "do not see eye to eye on everything. Most of them, however, agree in regarding compulsory planning and directives in the state management of the economy as a necessary evil, and, with nostalgia, exert themselves to reconstruct an economic mechanism in which prices and values, and a system of economic incentives automatically regulates" the economy.

The author is categorical in his rejection of such views: "If the economic activity of the companies is not regulated by compulsory state directives... if, that is, production is regulated essentially by the law of value and by the market (as it is in the capitalist economy), then the undesirable features characteristic of capitalist economy will also necessarily appear".⁵⁰

Thus, while Endre Molnár based his arguments on the international conflict of capitalism and socialism, since as he put it, "the need for a strong proletarian state, and for central leader-

⁴⁸ *Gazdasági Figyelő* (Economic Observer) No. 4, 1957.

⁴⁹ *Társadalmi Szemle*, June, 1957.

⁵⁰ *loc. cit.*, pp. 51-54.

ship in the economic sphere, too, follows from the antagonism between the imperialist and the socialist camp",⁵¹ István Friss, we find, drew similar conclusions from precisely what capitalism and socialism had in common, namely, the trends in technological development. "Looking at the main effects of technological progress common to the countries of the various social systems... we want to call attention to one last fact. This is the growing importance of state intervention... In which direction the socio-economic effects of technological progress are pointing is essentially the question of whether technological progress is necessitating greater economic centralization or not... The facts give us an answer... that seems unambiguous enough. The growing weight of state intervention in non-socialist economies, the growing number of experiments made by non-socialist countries at developing a part or all of their economy on the basis of plans made for a number of years all show that the central direction of a nation's economy is more and more a necessity".⁵²

The last word in the public debate was the heated repudiation of the reform programme worked out by the Commission of economic experts and summarized by Varga in the *Közgazdasági Szemle*. Edit Varga's criticism of the proposals was particularly unconditional: "István Varga's article, which contains numerous correct observations in matters of detail, is essentially and all things considered mistaken... István Varga says he wishes to promote... the consolidation of economic planning; the train of thought and logic of his article, however, leave the reader with quite the opposite impression... Under the banner of reforming planning, his thinking in reality leads us into the cul-de-sac of the impossibility of planning". But Edit Varga sees no real reason for concern: "We have no reason to suppose

⁵¹ *loc. cit.*, p. 57.

⁵² ISTVÁN FRISS, A technikai haladás társadalmi-gazdasági következményei (On the socio-economic consequences of technological progress), *Közgazdasági Szemle*, Nov.-Dec. 1956, pp. 1350, 1353.

that we shall not be able to get to know the laws of socialist economic development more precisely". For another thing planning is necessary to the dictatorship of the proletariat. "Planning is the chief instrument in executing the economic policy of a proletarian dictatorship... If the plans are realistic, and consonant with the laws of economic development, their fulfilment depends primarily on the activities of the socialist state. Is it possible to realize the economic programme of a proletarian dictatorship without directives? Clearly, it is perfectly impossible". István Varga had even had recourse to Stalin to prove his point, quoting Stalin's comment that "we must not forget that over and above the elements that planning can influence, the national economy has elements that are, as yet, independent of planning". Edit Varga, however, turned the tables on him, finishing the sentence that he had quoted only a part of, and showing that in fact it proved her argument. For the sentence ran on as follows: there are antagonistic classes, "which cannot be overcome simply by the national planning office working out plans"; thus, "questions that planning cannot influence must be solved through the class struggle".⁵³

Official confirmation of this criticism came from István Szurdi of the party's Central Committee in his "Some comments on the ideas and proposals of the Economic Commission". This statement, which was discussed by the party's Economic Advisor Board, declared a number of the Commission's suggestions useful, but went on to state: "... We must make it perfectly clear here, that the planning of the nationalized companies through compulsory directives goes with economic planning as one of its basic features, and is the chief method of state control".⁵⁴

⁵³ EDIT VARGA, A tervezés módszereinek megjavítása (Improving the methods of planning), *Közgazdasági Szemle*, July, 1958, pp. 699, 597, 700.

⁵⁴ ISTVÁN SZURDI, Néhány észrevétel a Közgazdasági Szakértő Bizottság elgondolásaihoz, javaslataihoz (Some comments on the ideas and proposals of the Economic Commission), *Közgazdasági Szemle*, July, 1958, p. 694.

The fate of the reforms

This, of course, brought only a temporary end to the debates. Hungary's economy consolidated with surprising speed after the grave disequilibrium, unemployment, and danger of inflation of late 1956 and early 1957.⁵⁵ This economic stabilization went with the concurrent and especially rapid process of political stabilization (and was, in part, its result).

Just as the shock of political collapse had necessarily strengthened the forces calling for radical reform, so the speedy economic and political consolidation undoubtedly went to reinforce the voices urging the retention of the old system of planning and control, with some partial corrections introduced.

It was in this changed environment that the decision had to be made whether to introduce radical economic reform, and risk all the possible chaos and difficulties of adjustment, or to stay with the old system and continue the process of improving on it which had already been started. Obviously, the decision was influenced by a number of practical political considerations, the desire to keep up the process of peaceful consolidation already under way being an important factor. Clearly, the ideological arguments were also of central importance. The effect of decades of dogmatism was felt in that the system of planning and control evolved under the particular historical circumstances of the Soviet economy of the 1930s was still identified with Marxist-Leninist theory, and the laws of socialist development. In the political leadership there was a clash of views, and it was at the summer session of the national meeting of the Hungarian Socialist Workers' Party in June of 1957 that the old dogmatic wing came on strongly to "rectify" the policy the new party leadership had been following. The main task at this point was

⁵⁵ Already in February, 1957, István Friss was able to note: "Our present calculations indicate that the country's economic situation in 1957 might be better than one would have thought possible either in mid-December, or even mid-January." Party History Archives, 288 f. 23/1957, The national economic plan of 1957, Feb. 5, 1957.

to protect the new political line. What was required, therefore, was not only a clear counter-offensive, but also tactical compromises in some areas.

Changes on the international scene during 1957 also influenced the shape events were to take. After the Soviet Communist Party's 20th Congress and the Chinese promise to let many flowers blossom, 1957 brought counter-effects everywhere. The Chinese situation, the Polish and Hungarian crises, the open attacks on socialism made most representatives of the communist and labour parties which met in Moscow in the autumn of 1957 see revisionism as the chief danger. Relations with Yugoslavia again became strained, and the principles of the Yugoslav party leadership — workers' self-management, and the reformed economic model — were strongly criticised as the embodiments of revisionism. "Struggle on both fronts" was again called for, and the Hungarian party leadership also emphasized — as Ferenc Münnich, the party's second man put it in his article in the *Társadalmi Szemle* discussing the Hungarian party's experiences — that "the Hungarian Socialist Workers' Party has regarded and still regards revisionism as the chief danger".⁵⁶

All this, it seems, decided the fate of the economic reform programme. This was already clear at the national party meeting in June. While the resolutions consistently spoke of the struggle on "both fronts", in spite of the fiery debates, on economic matters the position was the following: "In connection with the system of economic planning, the party conference declares that it attributes decisive importance to central state control...(and) repudiates those mistaken views which deny the need for central state planning and control. Should these views be given free play... they would lead to anarchy, to the strengthening of capitalist elements, and to serious damage to the socialist economy

⁵⁶ FERENC MÜNNICH, Az MSZMP tapasztalatai a revizionizmus elleni harcban (The experiences the Hungarian Socialist Workers' Party has gained in the fight against revisionism), *Társadalmi Szemle*, No. 11, 1957.

and the people. The party is conscious of the fact that in past years economy has been more centralized than necessary... A number of the measures making for excessive centralization have already been done away with, and work is being done to work out the most appropriate form of economic management".⁵⁷

This work, of course, was no longer to be done by the government Economic Commission with its programme of radical reform. Soon it was reported that the reform planning initiated by the government, by the Economic Commission, had been suspended. "The stoppage of work on the further development of the system of economic planning and control is common knowledge", we read in a confidential report on the work of the Economic Commission in 1957. "The government had instructed the Economic Commission in January, 1957, to set about reviewing the system of economic planning — at the same time as it was working out the measures to prevent inflation — and to propose the means by which the system might be developed. Work was indeed started with the cooperation of about 200 experts, but their proposals were never discussed, and no detailed plans for their practical implementation were ever made. Except for some small economic measures, no real change ensued..."⁵⁸

We get an even more precise picture of the fate of the Commission's reform programme from the following: "The committees finished their work and submitted their comprehensive proposals nearly a year ago. Since then, a great many things have changed in our economic circumstances, and we see many things much more clearly... Some of the proposals have been used in the government measures taken..."⁵⁹ The study goes on to

⁵⁷ A Magyar Szocialista Munkáspárt határozatai és dokumentumai, 1956-1962 (Resolutions and documents of the Hungarian Socialist Workers' Party) p. 75.

⁵⁸ Party History Archives, 288 f. 23/1958, Report on the work of the Economic Committee in 1957 (Draft), The Secretariat of the Economic Committee, Feb. 4, 1958;

⁵⁹ Party History Archives, 288 f. 23/1958, Comments on the Economic Commission's proposals.

list the proposals that had been acted on. Among the practical modifications, it mentions that more attention is being paid to reconstruction as opposed to new investments, and that profit sharing has been introduced. Other proposals — for instance, the adjustment of wage proportions — it considers to be something that might be acted on in the future. It then goes on to state, however: “The comprehensive proposals of the Economic Commission contain, besides the useful proposals listed above, a number of mistaken ideas as well, which are not in keeping with Marxism-Leninism, and diverge from the goals the party and the government have set... The members of the Commission had decisively and strongly dissociated themselves from the dogmatic approach and sectarian practices of the past, but can hardly be said to have done so completely from revisionist, rightist ideas and practices...” This was thought to be illustrated by the fact that according to the Commission, “compulsory directives would, for the most part, become unnecessary... (and) plans would be given a company-by-company breakdown only by way of exception”. “Significant steps have, in fact, been taken to increase company independence. Most of these have had the effects desired, but in some areas, for instance, in the control of materials and in investments, we even went too far... It would be well to return some of the economic factors entrusted to the companies to the competence of central authorities”.

As we can see, it was partial and gradual economic improvements that were opted for, with only some elements of the radical reform programme being adopted. A whole series of practical steps taken from the end of 1956 on testify to the victory of the gradualist approach. In retrospect, in the spring of 1959, the National Planning Office summarized these steps as follows: “In the years preceding the counter-revolution, a number of steps had been taken to simplify planning, steps which were supplemented with new measures in the plan approved in 1957. The basic aim of the measures taken in 1957 was to increase the effecti-

veness of planning through increased independence for the ministries and the companies. These measures involved further cuts in the number of compulsory plan indicators".⁶⁰

There can be no doubt that the system of planning and control that took shape in 1957 was different from the earlier economic system. The main change was that there were fewer government-specified indicators. For all that, we might want to review the areas in which directives were still compulsory, for these included the following: the total value of production; the quantity of the most important products broken down by quarters (the number of products affected, however, was only 17% of what it had been in 1954); the quantity that had to be produced for the domestic market (the total value, and broken down by quarters, but for only 25-50% of the goods that had been affected in 1954); the quantity and value of the goods to be produced for the foreign market (but here, too, only 25-50% of those specified earlier); supplies of the chief raw materials (a third of the materials formerly thus regulated); all wage funds; production costs per 100 forints of production value; investment funds (broken down financially and technically, and with central approval needed for the details of each individual investment); the proportion of the renewal fund that could go into building; average wages (given annually, and for the quarter with the highest average wages); and finally, the bonuses for technical and managerial staff.

The report prepared by the National Planning Office then goes on to note: "In presenting these types of indicators for approval to the Council of Ministers... an attempt was made to have planning operate through just a few of the most significant indicators, those most suited to the particular area". The lower managerial level added only slightly to the scope of the central

⁶⁰ Party History Archives, 288 f. 23/1959, The development of economic management since 1957, with special reference to industry, National Planning Office, April 17, 1958.

directives; "however, besides the approved indicators, the ministries and directorates usually give other planning indicators as well for purpose of orientation". The various ministries used different planning methods at times, and the number of the compulsory directives also differed. "The most radical cut in the number of planning indicators has been made by the Ministry for Light Industry".

In the end, therefore, the most that could be said by way of illustrating the companies' greater independence was that the number of the goods marked as having high priority, and the number of plan indicators — especially the number of quantitative directives — had been cut, and that the quarterly breakdown of production values had been abandoned. The views that had been expressed in connection with these changes were summed up by the National Planning Office report as follows: "There is no consensus among the companies, either, as to whether the decrease in the number of the indicators, the changes in planning and control have really made them significantly more independent. Some companies are, in fact, explicitly sceptical in this regard, emphasizing that although there are indeed fewer indicators, those that there are, because they apply to the company's chief activity, tie its hands as completely as had the plethora of indicators in the past. The lower managerial bodies and enterprises were given fewer compulsory indicators, but since they usually got also the ministerial or other detailed indicators for purposes of calculation, they hardly saw any difference as compared to the former practices... the companies feel that it is an indication of their lack of independence that there are no means at their disposal for the acceleration of their most important development projects". Labour management had, in fact, become less centralized, for compulsory staff indicators were no longer prescribed (although staff quotas were indirectly set through controlled wage funds and average wages).

A similar attempt to make bureaucratic planning less rigid

was the cessation of central planning in certain areas, especially in light industry. "Production", we learn from the National Planning Office report, "is related to demand, and is established through continuous discussions between the representatives of the industry and commerce".⁶¹ Material allocation, too, which had been comprehensive and exhaustive, was also restricted to certain areas.⁶² The companies were also more likely to be asked to take part in the working out of the plans.⁶³

By way of an experiment, certain companies were given direct export rights, in the hope that, having a greater interest in marketing, they would show greater interest in production. Foreign trade, too, acquired new impetus when the incentive was no longer the need to satisfy compulsory directives, but rather a system of price equalization.⁶⁴

There were partial changes in the system of investment, too,⁶⁵ but not ones that substantially altered its mechanism, for "... investment goods continue to be at the companies' disposal practically exclusively free of charge". The companies, therefore,

⁶¹ Instead of production according to directives, "specific agreements between industry and commerce took their place", "exhibitions of goods by industrial branches, and contracts made on the basis of what was offered there".

⁶² While in 1954 the quantity of materials to be used in the production of 1,271 goods was specified, and even in 1956, 567 products were thus subject to nation-wide regulation, from 1957 on, "the number of goods affected was about 290", excluding the centrally regulated production of special staples.

⁶³ Some ministries, for instance the Ministry of Metallurgy and Machine Industry, had the companies work out the plans, others used the companies' proposals to draw up the plans jointly.

⁶⁴ In cases of price equalization more favourable than the price equalization rate specified for that type of product, the company got a share of the savings. At the same time, as the Planning Office noted, the interest of a company in production and in foreign trade was not really harmonized, for "... even in the case of these companies (i.e. those with foreign trade rights) there is one set of incentives to production and another to foreign trade".

⁶⁵ The companies could have up to 10% of their surplus profit, and could use it to set up a development fund. At the same time, the companies' opportunities for independent activity had improved in that they could use some of the funds available for reconstruction for investments that did not involve building.

“... continued to try to get acceptance for as great an investment demand as possible”.

The system of incentives, too, became more rational in that the companies were no longer given an interest in the sheer quantitative fulfilment and overfulfilment of the plans (the latter a form of executing the so-called “gross production plan”). The companies themselves disposed of a part of the bonus funds; and bonus ceilings were lowered considerably (from 50% of one's total earnings). Profit sharing, which was based on genuinely productive company activity, was an attempt to give greater emphasis to qualitative as apposed to purely quantitative demands. At the same time, the economic milieu (including the price system and limited company management) being what it was, it comes as no surprise to read the following in the National Planning Office report: “... The system of profit sharing is not what its name would lead one to expect: as it is today, one might just as well call it a collective bonus, or a director's fund calculated once a year”.

All these changes indubitably made the system of planning and control somewhat more flexible, and operated to resolve a number of its more prominent earlier contradictions. Similar correctives were to be made in later years as well.

New turning-point: the preparations for radical reform from 1964

As the first half of the 1960s showed, in spite of partial reforms the familiar difficulties of the system were reproduced and results quite the opposite of what the economic policy makers had hoped for: it led the companies to continue to strive for quantitative results, independently of whether the goods were of a marketable quality; induced them to use as much imported material, manpower and raw material as possible in production; to neglect considerations of economy and effectiveness, and to neglect technological development as well. The early sixties were years of

great economic tensions (In this study I cannot discuss this in detail). Suffice it to say that the lack of adequate responsiveness in restructuring production, and indifference to the need for technological development and to qualitative demands made it impossible to balance the considerable volume of imports with exports that were marketable abroad; this led to the accumulation of debts so great that as early as 1962/3 the payments due amounted to twice the country's hard currency earnings from exports. A part of the industrial products manufactured to fulfil plan directives were of such a poor quality that they were unmarketable both at home and abroad. By 1964-65, the country's unmarketable stocks came to 8% of the national income, an amount more than twice greater than that spent on national defence. It was only in agriculture that the system of planning and control had undergone radical change, and served the country's economic policy goals; in industry and the other branches, the situation was practically unaltered. The theoretical arguments of 1957 were being decided by experience.

Yet there was also another kind of experience to fall back on in these years of economic tensions, the experience that reform, partial though it was, was possible and desirable. This change in attitude, and what had been learned from the economic experiments of the intervening years, stopped Hungary in good stead. Her political and economic leaders were realistic and courageous enough to take another look at the programme for radical economic reform.

The intention to do so was first expressed in the February, 1964 issue of the *Társadalmi Szemle* in an article by Rezső Nyers, the Central Committee's new secretary for economic affairs. "The methods of economic planning and economic incentives", he wrote, "must always be suited to the economic policy aims of the given period... It would be a grave mistake indeed to see any one system of planning and control as the essence of a socialist planned economy". The author then went on to say that he

felt that the time had come "... for us to reexamine the methods of economic planning and its incentives".⁶⁶

On July 21, 1964, the Hungarian Socialist Workers' Party's Economic Committee met to discuss proposals "On the direction of work on the development of economic planning, and its programme". The Committee decided "... to start a comprehensive analysis of economic planning, including the mechanism of production, of incentives, of financing and of management, the price and monetary systems, and the structure of the economy... We must come up with a critical evaluation of the present economic mechanism and economic system, and work out a comprehensive plan for their reshaping".⁶⁷ A committee of three headed by Rezső Nyers was set up to coordinate the work which was to involve experts in every sphere touching the economy, and was to take two years. (István Friss, who had revised his earlier views on the basis of the experiences of the intervening years also had an important part in this work).

The initiation of such a reform programme was, obviously, facilitated by the fact that in the Soviet Union, too, the summer of 1964 saw the beginning of a public debate with articles by J. Liberman, V. Trapeznikov and others in *Pravda* on the need for economic reform. In 1965 the Czechoslovak government, too, started to prepare an economic reform programme headed by O. Sik. The need for change was, thus, in the air.

At the December 10th 1964 sitting of the Central Committee of the Hungarian Socialist Workers' Party the lessons to be learned from the current five year plan were discussed, with the following conclusion: "The Central Committee... considers it necessary that the present economic mechanism... be subjected to comprehensive and critical analysis, and that it be modified accordin-

⁶⁶ REZSŐ NYERS, *Az ötéves terv derekán* (Midway through the five year plan), *Társadalmi Szemle*, No. 2, 1964, p. 19.

⁶⁷ Party History Archives, 288 f. 15, Minutes of the July 21, 1964 sitting of the Economic Policy Committee.

gly".⁶⁸ Reform had been given a green light. On November 18-20, 1965, the Central Committee was already discussing "The first principles of the reform of the system of economic planning".

The document that ensued was a radical change from the stand taken by the party and the government eight years earlier: "Critical analysis has led to the unequivocal and unanimous conviction that there is a need for fundamental change. The main shortcomings of the present system are obviously closely interrelated, and cannot be eliminated one by one, but only through complex and comprehensive action". Speaking of the earlier, partial corrective measures, the Committee pronounced them "correct at the time", adding that "today, more than this is needed... A basic problem", the resolution went on, "is that our system of economic planning is still... greatly centralized; the companies have minimal independence, the economy is still regulated principally by strict and direct state intervention in the form of compulsory directives, market impulses and the law of supply and demand are permitted to have little active influence on the economy... Our economic mechanism as a whole is not sufficiently conducive to our taking advantage of the benefits of the international division of labour... Our present system of economic mechanism... has become incompatible with our economic policies, and retards their realization... *it is high time to change the present system giving a ministry-by-ministry, company-by-company breakdown of the national economic plan*", declared the resolution. "All too often, such a breakdown far from helping to fulfil the plan, achieves just the opposite... A typical fault of our entire price system is that prices greatly — and, economically speaking, unjustifiably — diverge from the social cost of the product in question, and that ... prices are too rigid,

⁶⁸ *A Magyar Szocialista Munkáspárt határozatai és dokumentumai 1963-1966* (Resolutions and documents of the Hungarian Socialist Workers' Party), HENRIK VASS (ed.), p. 107.

and quite unsuited for harmonizing supply and demand... We have come to the conclusion that price relations and the law of value exist and operate in socialist economies as well, and that they must be made the best use of to promote progress. We must take steps to ensure that price relations and related economic phenomena — the market, prices, cost prices, profits, credit, etc. — will play a substantially greater and more active part in the socialist economy... *historically speaking, the organic unity of socialist planning and of active market relations is inevitable...* The main task of economic planning”, we read in the 1965 resolution, in words reminiscent of the phrasing of the December resolution of 1956, “is to project the chief goals of economic development... and their proportionate weight;... we must give considerably greater independence to the nationalized enterprises... This can be done... through seeing that the plans are fulfilled not through various specific breakdowns. i.e. not through the administrative prescription of plan indicators, but through principally economic means...”⁶⁹ This is enough to show us that the government economic policy of 1964-65 was, in effect, a return to the radical reform program of December 1956.

The economic reform worked out and introduced in Hungary between 1964 and 1968, in spite of the compromises and internal contradictions that made it less effective, and in spite of the attacks soon made on it in the hopes of bringing about its defeat, nevertheless introduced a new type of planning, one which marked a historical turning-point in the development of the Hungarian socialist economic model.

Today, we are witnessing a new chapter in the development of this model, one that is still being written — amid the debates attempts to check it, and the compelling pressures of the 'seventies to keep moving ahead — by the day-to-day reality of Hungary's economy and economic policy.

⁶⁹ *Loc. cit.*, p. 278.

