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[K.P.]

A Hungarian lesson

Events in Hungary might be expected to have an immediate bearing on the question of socialist planning. Yet in spite of the months of dire emergency that followed upon the cruelly quenched revolt of the party reformers against the Stalinist leadership but little is heard about the upheaval's economic causes, if any. This should caution against rash inferences however plausible they may sound.

Most of the evidence used here was gleaned from the files of a Hungarian Communist literary weekly, the journal of the Writers' Association. The sparse but revealing facts need to be handled with care if the elements of the picture are to fall in place.

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Actually, the administrators of the Hungarian economy were not inept, nor did they lack judgment, technical experience and devotion to their task. That a harsh and tyrannical bureaucratism reached such

a pitch and eventually resulted in a scandalous all-round mismanagement must needs have a cause of its own.

The key to these contradictions should be sought in the unique conditions in which the Hungarian socialist regime functioned, and the dangers of which were not apprehended until after the event. Irrespective of the peace treaty, during the whole period in question, Hungary was under a close, strictly enforced foreign rule -- a circumstance that went unheeded because it had been traditionally deemed a matter of small account between socialist countries. Such a combination was even believed advantageous to the smaller and weaker of the two. Anyway, the fact of rule by Russian controllers was never openly acknowledged by either side. At first it was credited to the obvious condition of Hungary as a vanquished country; later on, after the peace treaty had been signed and defeat ceased to be of relevance, it was hidden from the public eye by mutual connivance. The heart of the matter remained a well guarded secret. It was ~~itself~~ an astonishing exploit of underground statesmanship on an international level <sup>that</sup> the Hungarian administration, both political and economic, was <sup>on the</sup> at all times directly controlled from Moscow with an immediate check established through the presence of <sup>5 on the spot,</sup> a Russian controller, often in the inconspicuous role of an office worker.

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*government from outside.*

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Not so in a socialist economy. Along with its technical and economic advantages goes the adverse fact that a mere flicker at the center reverberates through the whole system and by the time a shift of policy reaches the shop, the family, the individual, it will have grown into a devastating blow. Any measure taken in response to the zig-zag of a foreign party line, or an eventual deficit in a foreign economy works as an erratic, arbitrary command with effects blindly destructive of the social and economic tissue of the country thus exposed to external domination. Hence the irreducible requirement that the ultimate seat of power in a socialist community be free from foreign rule.

~~This is far from all, however. Inflation and mass destitution of her unemployed are plaguing Hungary today. This implies a currency of her own and a social service system of her own.~~ The term satellite which is politically so revealing, is economically confusing. For a political satellite may well be economically a separate state. Its political dependence may then cover up its economic separateness. Whether politically dependent upon the Soviet Union or not; economically 'inseparable' from the Soviet Union or not, Hungary has an inflation not shared by the Soviet Union and mass unemployment neither absorbed by the Soviet Union nor alleviated in its consequences for the individual worker. The obvious remedy for Hungary's present troubles lies in the sphere of monetary and trade policy -- in foreign loans and exports. Political dependence from the USSR alone prevents her

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G.W.M.

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*Feb. 22, 1957*

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believed advantageous to the smaller and weaker of the two. Anyway,  
the fact of rule by Russian controllers was never openly acknowledged  
by either side. At first it was credited to the obvious condition of  
Hungary as a vanquished country; later on, after the peace treaty had  
been signed and defeat ceased to be of relevance, it was hidden from  
the public eye by mutual connivance. The heart of the matter remained  
a well guarded secret. It was in itself an astonishing exploit of  
underground statesmanship on an international level that the Hungarian  
administration, both political and economic, was at all times <sup>on the quiet</sup> ~~directly~~  
controlled from Moscow with an immediate check established through the  
presence of <sup>on the spot</sup> a Russian controller, often in the inconspicuous role of an  
office worker.

A careful analysis of Hungarian maladministration over the  
critical decade would reveal ~~that~~ what appeared to the individuals  
below as the inchoate ravings of a group of madmen at the top, <sup>To have been</sup> ~~was nothing~~  
else than the inevitable consequences of foreign rule in a socialist  
economy.

A capitalist state as a satellite can put up with a consid-  
erable measure of open or hidden foreign rule. The individual citizen

*government from outside.*



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*or by changes level (domestic)  
or is if control is time  
intervention?*

may be hit by the burden of taxation caused by reparations or other  
contributions his country is charged with; opportunities for profitable  
business or employment may be impaired. But external pressure does not  
here affect the minutiae of daily life in response to the domestic sit-  
uation in the governing country.

Not so in a socialist economy. Along with its technical and  
economic advantages goes the adverse fact that a mere flicker at the  
center reverberates through the whole system and by the time a shift of  
policy reaches the shop, the family, the individual, it will have grown  
into a devastating blow. Any measure taken in response to the zig-zag  
of a foreign party line, or an eventual deficit in a foreign economy  
works as an erratic, arbitrary command with effects blindly destructive  
of the social and economic tissue of the country thus exposed to ex-  
ternal domination. Hence the irreducible requirement that the ultimate  
seat of power in a socialist community be free from foreign rule.

*It may  
but the  
control  
and less  
obvious.*

~~This is far from all, however. Inflation and mass destitution  
of her unemployed are plaguing Hungary today. This implies a currency  
of her own and a social service system of her own.~~ The term satellite  
which is politically so revealing, is economically confusing. For a  
political satellite may well be economically a separate state. Its  
political dependence may then cover up its economic separateness.  
Whether politically dependent upon the Soviet Union or not; economic-  
ally 'inseparable' from the Soviet Union or not, Hungary has an infla-  
tion not shared by the Soviet Union and mass unemployment neither  
absorbed by the Soviet Union nor alleviated in its consequences for the  
individual worker. The obvious remedy for Hungary's present troubles  
lies in the sphere of monetary and trade policy — in foreign loans  
and exports. Political dependence from the USSR alone prevents her

*I think  
agony  
industry  
could still  
21-1930*

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5.

from turning to these expedients. Her foreign trade monopoly would in no way hinder her from applying the monetary and trade policies she needs. But a man bereft of his arms and legs is not more helpless than a socialist state that has its own national currency and labour system and yet is not free in its foreign economy. Its enslavement to the ruling state is more absolute than anything that is known to history.

And yet, such a state, we repeat, is not cut off from self-help for lack of a market system enabling it to make use of the world's capital and commodity market through loans and exports. Its foreign trade monopoly would permit it to do either, or both.

*How?  
This is  
the vital  
point to  
be spelled  
out.*

*Foreign rule is*  
as the ~~the~~ root cause of a deadening bureaucratism ~~also~~ also becomes apparent. The organs of the socialist state and municipalities are unable to absorb the party organs which have originally set them up, because the foreign direction works entirely through those same party organs. The vital separation of party and state is impeded from the top. A threefold layer of bureaucracy insulates the citizen from the seat of power, since the double layer of party organs and state organs is overlaid by a foreign party bureaucracy, welded to the leadership of the national party bureaucracy. Democratization may be extended to important fields; it may mitigate in many ways the damage and suffering. But as to the cause of the disease, it remains outside the scope of democratization. At all crucial points — factory, local government or trade union — it is restricted to empty formalities and, if pressure for self-rule is maintained, results in lipservice, fraudulent proceedings, an increasingly complex system of pretences, eventually creating in the politically still active part of the population a veritable Babel of moral confusion. It is only a question of time, and not too much time at that, and distrust and disillusionment form into a

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6.

hard core; behind a screen of apathy, intense hostility takes root. Let, then, some striking event in common human terms illuminate the scene, and the effects will be like an earthquake. In an historical instant the depth to which the fibre of the nation has been eaten away, stands revealed. The disclosure of Rajk's innocence was such an event. The Rajk trial, in the context of the Slanaky, the Kostov and the other purges had been broadcast as an accusation against Tito, and Budapest was far outdone by the shrill tones emanating from Moscow. Yet Rákosi shouldered the awful responsibility of the judicial murders, pretending, in loyalty to Moscow, to be acting on behalf of an independent sovereign body. This made the disclosure of the truth about Stalin, in February last, into an admission of the innocence of Rajk, and with overwhelming force into a shattering revelation about the regime in Hungary -- political and economic. Secret utter subjection to foreign rule had worked its paralyzing effect on the increasingly socialist economy.

History has taught us to interpret 'foreign rule' in terms of language, culture, national statehood. In the light of what has been said, a warning is called for. Neither currencies nor social services are culture traits of a specifically national character. Their separateness <sup>is</sup> not like that of language or music, the rhythm of speech of folkways. A community linked by a common currency shares a price level that determines real wages and material prospects, social services comprise a people in a commonality of conditions of assistance. Both price level and security transcend nationality and culture. Far be it from us to underrate the cultural factor in nationhood, or the national roots of the historic state. But the state that has to be truly sovereign under socialism is not so much the home of a nation, as simply the

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7.

habitat of a people. The Hungarian tragedy in its economic ramifications was not in the first place an outcome of national frustration:— it was the consequence of a carefully camouflaged, stringently exercised foreign rule over a socialist economy.

The general similarity of the problem here to that of England ~~vis a vis~~ ~~the international fixed~~ gold parity in the twenties is striking. Then the answer was central monetary control, etc. Here one does not see immediately what technical means are available to avoid the internal dislocation etc. due to outside control. Is the suggestion <sup>here</sup> that there are such means available (top, p. 5)? If so there is room for reason and policy <sup>in Hungary</sup>. If not then what is the short of freedom from domination?

I see now, I have misread your intent. It is to show that USSR, not socialism, is the bogey man. I don't know your audience, or the space you have, but shouldn't cite chapter 1 and vice versa the reversals and inconsistencies?

H