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The „New Course" and its impacts in Central and Eastern Europe: The case of Hungary

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The death of Stalin on 5 March 1953 signified a watershed in international relations, which promoted to mitigate the tensions between the two main superpowers, the USA and the USSR. These events had repercussions in the Central and Eastern European countries. In the early 1950s, the economic policy based on forced industrialisation and the collectivization of agriculture clearly showed the deficiencies of the command economy. To avoid internal rebellion within the region, the new Soviet leadership decided to correct the mistakes made in economic policy.

The aim of the paper is to analyse the impacts of the „New Course" in Central and Eastern Europe based on a multi-disciplinary approach. It also gives an overview about the reforms of Imre Nagy during 1953–1955. Due to length constraints, the essay will not evaluate the foreign relations of each country, rather it focuses on the consequences of the "thaw" between 1953 and 1956.

Keywords: economic history, the „New Course", Central and Eastern Europe, reform attempts, the de-Stalinisation process

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„Nova smer" in njeni vplivi v srednji in vzhodni Evropi: primer Madžarske

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Smrt Stalina 5. marca 1953 je imela posledice tudi v državah srednje in vzhodne Evrope. V začetku 50. let prejšnjega stoletja je gospodarska politika, ki je temeljila na prisilni industrijalizaciji in kolektivizaciji kmetijstva, jasno pokazala pomanjkljivosti planske ekonomije. Da bi se izognili družbenim nemirom, se je nova sovjetska oblast odločila popraviti napake, storjene v gospodarski politiki.

Prispevek je analizira vplive „nove smeri" v srednji in vzhodni Evropi na temelju multidisciplinarnega pristopa. Nudi pregled reform, ki so bile izvedene na Madžarskem v času Imreja Nagyja (1953–1955) ter se osredotoča na posledice „odtajanja" v obravnavanem obdobju.

Ključne besede: gospodarska zgodovina, „nova smer", srednja in vzhodna Evropa, poskusi reform, proces de-stalinizacije

1. Introduction

The tumultuous period of reconstruction in East-Central Europe in the years following the devastation of the Second World War was linked to the violent communist takeover and the establishment of the Stalinist planned economy. The communist systems, as an alternative to the modernization of market economies, were based on the monopoly of the Marxist parties, the exclusivity of state ownership, and the dominance of bureaucratic coordination. The policy of very rapid growth was geared to vigorous, extensive industrial development, including heavy industry and energy. However, the social sacrifices of forced growth imposed by political terror were too great, with serious political consequences in the short term. As Baráth rightly stresses, the social discontent within the Socialist bloc increased to an unprecedented level. The pursuance of Stalinist economic policy in each country of the region caused lasting damages.[1]

Stalin's death on 5 March 1953 had profound impacts on the economic and political development of Central and Eastern European countries. The fate of the countries in East- Central Europe was determined by the domestic politics of the Soviet Union. The Soviet dictator, however, had been interested in getting rid of all his potential successors, but this did not happen because a long struggle started among the members of the Politburo. As Kramer rightly notes, behind the scenes, a fierce competition was still under way among several of Stalin's associates, each of whom aspired to take over the leadership of the Soviet Communist Party without having to share the power.[2] From 1953 onwards, three groups emerged within the party: At first, it seemed that the winner was likely to be Georgi Malenkov, assisted by Lavrenti Beria, the Interior Minister and head of the KGB security services.[3] Malenkov became prime minister of the USSR in the spring of 1953. He officially declared the policy of the "New Course", which placed emphasis on the measures to further increase the wellbeing of the population and stressed the pursuance of a new agricultural policy to improve the food supply. The new Soviet administration wanted to limit the drive to industrialisation and revise the economic policy objectives of the Stalinist era.[4]

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[1] Baráth, *Válságkezelés a keleti blokkban Sztálin halála után,* pp. 269–270.

[2] Kramer, *Leadership Succession and Political Violence in the USSR Following Stalin's Death,* p. 71.

[3] Kaposi, *Magyarország gazdaságtörténete, 1700–2000*, pp. 368–369.

[4] Berend, *Central and Eastern Europe, 1944–1993*, p. 99.

In parallel with the revision of former harsh repressive policies, the principle of "collective leadership" was introduced. Although Malenkov became First Secretary of the party and Prime Minister, subsequently he was compelled to yield the party leadership to Khrushchev in September 1953. Therefore, the two high-ranking positions within the Soviet Communist Party Presidium were separated. The first chapter of the struggle for absolute power ended in July 1953, when Beria was arrested and executed as a traitor. Malenkov's position weakened within the party because, in February 1955, he was removed from the premiership. Although that post was given to Marshal Bulganin, in 1957 it was taken over by Nikita Khrushchev, who was able to consolidate his hold on supreme power.[5] Based on archival documents and recently published memoirs, it can be stated that the notion of "collective leadership" was merely a compromise that sooner or later gave way to Khruschev, who could exploit highly incriminating documents against his rivals within the CSPU Presidium and prevent them from using those materials against him.[6]

It can be stated that flurry domestic changes in the USSR during the first several weeks after Stalin's death caused a stir in Soviet society. The sense of hope reemerged among the elites, intellectuals and ordinary people alike, to the end of World War II.[7] Reports of local and regional officials, which were later sent to the central authorities in Moscow also stressed that citizens welcomed the political reforms.[8] At the same time, the new Soviet leadership wanted to avoid any internal unrest and keep the Communist bloc under tight control. The joint resolution adopted by the CPSU Presidium on 5 March 1953, emphasized the "greatest unity of leadership" to "prevent any sort of disarray or panic" in Soviet society.[9]

Brus stresses that one of the most important changes happening after 1953 was the disappearance of the indisputably acknowledged semi-divine authority of Stalin. Internal differences and struggles within the Soviet leadership opened up some possibilities of manoeuvre for the leaders of the satellite countries. As a result of peculiar and pale form of pluralism that coupled with the rethinking of economic policy objectives, the bargaining position of individual countries increased gradually. At the Twentieth Congress of the Soviet Communist Party, which was held on 24–25 February 1956, Nikita Khruschev emphasized that there were 'different roads to socialism', admitting that slavish copying of the Soviet model might give rise to errors.[10] He also condemned the personality cult that had been developed around Stalin and others and officially acknowledged the peaceful co-existence between the two social systems.

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[5] Berend, *Terelőúton – Közép és Kelet-Európa, 1944–1990*, pp. 132–133.

[6] Shepilov, "Vospominaniya," Voprosy istorii, pp. 11–12.

[7] Zubkova, *Poslevoennoe sovetskoe obshchestvo: Politika i povsednevnost, 1945–1953.*

[8] *"O reagirovanii trudyashchikhsya Ukrainskoi SSR na Ukaz Prezidiuma Verkhovnogo Soveta SSSR ob amnistii,"* Memorandum 11-sv (Top Secret) from L. G. Mel'nykov, first secretary of the Ukrainian Communist Party, to Soviet Prime Minister G. M. Malenkov, April 1, 1953, in APRF, 3/52/101/12–16.

[9] "Protokol sovmestnogo zasedaniya Plenuma Tsentral'nogo Komiteta KPSS, Soveta Ministrov Soyuza SSR i Prezidiuma Verkhovnogo Soveta SSSR ot 5 marta 1953 goda," Ll 1.

[10] Brus, *The 'Thaw' and the 'New Course'*, pp. 41–42.

After 1953, Soviet foreign policy was interested in maintaining stability at any cost in East Central Europe. As Békés points out, emergency crisis management was necessary to continue control over the region by the Soviet Union that erupted from March 1953 onwards in Bulgaria, Czechoslovakia, and the GDR in 1953. The Kremlin decided to employ a new model of cooperation, which would be more flexible and predictable for both parties in the course of day-to-day relations between Moscow and the East-Central European states. Instead of maintaining the positions of "little Stalins" in the countries of the region, Soviet leadership attempted to strengthen local collective leadership in each country and to build up regular contact with them.[11]

In the last three decades, historians have mainly focused on evaluating the consequences of the Stalinist period in Central and Eastern Europe both economically and politically. Although the communist pattern of industrialisation and the collectivisation of agriculture in the region was analysed thoroughly in monographs and articles, the period between 1953 and 1956 and the overall impacts of the „New Course" from an economic point of view were not among the key objectives of research activities. The majority of measures introduced by the Communist Parties' leaders in the region focused on improving the wellbeing of their population by placing more emphasis on the production of consumer goods and agriculture at the expense of heavy industry. Our hypothesis is that reform attempts in the mid-1950s achieved temporary results, but they did not overhaul the rigid and bureaucratic mechanisms of the centrally planned economy.

The paper is organised as follows. Whereas Section 1 briefly introduces the changes and challenges that Central and Eastern Europe had to face after Stalin's death, section 2, and subsections 2.1 through 2.3 try to make a comparison by emphasizing the similarities and differences among the countries of the region, based on a multidisciplinary approach. Due to Tito-Stalin split in 1948, Yugoslavia pursued its own path of socialism, which was markedly different from the Soviet bloc, therefore, the analysis shall not focus on the key features of self-management and the reform attempts in the 1950s in the country. Section 3 focuses on a case study by explaining the Hungarian events, while subsections 3.1 and 3.2 give a comprehensive overview about the reform measures of the government led by Imre Nagy between 1953 and 1955. The country-specific analysis provides a strong basis for comparing the similarities and differences. Finally, concluding remarks are presented in Section 4.

[11] Békés, *'Cold War, Détente, and the Soviet Bloc: The Evolution of Intra-Bloc Foreign Policy Coordination, 1953–1975'*, pp. 249–250.

2. The impacts and outcomes of the „New Course" in Central and Eastern Europe: a comparative approach

2.1 Forced industrialisation and the weaknesses of the command economy

The irrational war preparations of the first five-year plans based on forced industrialisation and collectivisation caused tremendous political tensions in the region. The Soviet-style central planning led to a general scarcity in four areas: firstly, it placed emphasis on investment at the expense of consumption; secondly, the monocular focus on the development of heavy industry led to lasting distortions in the economy; thirdly, as a result of neglecting profitability and market incentives, the majority of enterprises produced only a limited range of manufactured goods; and, finally, resource-intensive production methods ignored cost and efficiency.[12]

The 'heavy industry at all costs' approach induced severe problems. Overstrained investments deprived the agriculture from the necessary resources to achieve the pre-war level of output and feed the population. Additionally, the elimination of *kulaks*, accompanied by the mass exodus from the land left large areas uncultivated and under-investment in the agrarian sector. As stressed by Aldcroft and Morewood, these problems were duplicated to a lesser or greater extent across Eastern Europe.[13] In the early 1950s, the acute shortage of basic foodstuffs and consumer goods was accompanied by the decline of the living standards of the population, which resulted in an increasing social and political unrest in the socialist bloc.

In East Germany, the heavy industry programme ran into trouble through a dearth of materials. As a result of neglecting both the needs of agriculture and light industrial branches, food supply of the population deteriorated sharply in the country.[14]

In-mid 1953, there were several problems indicating the deficiencies of the Czechoslovak economy. During the implementation of the first Five-Year Plan (1948–1953), rapid economic growth could not be attained due to the lack of fuel and raw materials supply. Internal disequilibrium at the national level was further exacerbated by the scarcity of basic foodstuffs and consumer goods. The concept of forced industrialisation could not be realised because agriculture was not able to provide the necessary labour force for the industry.[15]

The Soviet-style socialism with its rigid bureaucratic steering mechanisms increased the imbalances in the Polish economy. In 1955, the implementation of the Six-Year Plan was completed but none of its objectives were attained by the end of the planning period. Because of irrational high targets, the plan was revised both in 1953 and 1954. As a result of forced collectivisation, even in 1955 agricultural output did not regain the pre-war level, and real incomes declined by about

[12] Swain – Swain, *Actually Existing Socialism in Operation,* p. 112.
[13] Aldcroft – Morewood, *A new start under socialism in the 1950s and 1960s,* p. 110.
[14] Kaposi, *A 20. század gazdaságtörténete,* p. 287.
[15] Teichova, *Die Tschechoslowakei 1918–1980*, p. 636.

10–20 per cent compared to the 1938 figure. Economic difficulties were further exacerbated by the general shortage of basic goods.[16]

Although the rate of accumulation rose by 28 per cent in Bulgaria over the period 1951–1952, this could be explained by the huge investments in heavy industry. Other sectors of the economy, agriculture and light industries were completely neglected. Prices for Bulgarian food exports were set too low to encourage specialisation. Imported machinery was typically outdated and repair facilities were often primitive. As Lampe rightly notes, most industrial workers and managers were poorly trained and inexperienced.[17]

Similarly, to Bulgaria, industrial policy in Romania, which was implemented between 1951 and 1955, ignored the resource endowment of the country. Forced industrialisation resulted in permanent shortages of basic commodities and foodstuffs. Despite the spectacular investments in the heavy industry and engineering, Romania's economic backwardness still lingered on.[18]

In the years 1952–53, it became obvious that heavy industrial growth at the fastest possible pace could not be maintained, therefore it was necessary to make corrections in the first Five-Year and Six-Year Plans.

2.2 Policy corrections and its impacts

The situation became too precarious; therefore, the Soviets decided to modify the economic policy objectives applied between 1949 and 1953. In early June 1953, East German party leaders were instructed to introduce a more liberal political direction to their country. This short-lived period of reform in East Germany was characterised not only by a reduction in heavy industrial production and a significant increase in the production of consumer goods but reduced restrictions on foreign travel and the suspension of the collectivisation of agriculture. Tax relief was given to peasants and craftsmen and measures were adopted to raise the living standards of the population.[19]

The East Berlin uprising of 16–17 June 1953 posed the first challenge to the Soviet bloc. With regard to the increase of work norms, East Berlin construction workers took umbrage at their reduced wages and went on strike. The strike quickly spread to other cities. Soon the mass demonstrations became anti-regime riots. Finally, the worried government requested assistance from the USSR and the uprising was suppressed through the intervention of Soviet troops.[20]

[16] Szokolay, *Lengyelország története*, p. 210.
[17] Lampe, *The Bulgarian Economy In the Twentieth Century*, pp. 143–145.
[18] Balogh, *Románia története,* p. 175.
[19] Németh, *Németország története. Egységtől az egységig (1871–1990)*, p. 494.
[20] Aldcroft – Morewood, *Eastern Europe within the Soviet orbit*, pp. 143–144.

Table 1: Personal consumption from net material product 1952–1957

(1) Percentages of net material product

(2) Index numbers of per capita consumption (1953=100)

Country		1952	1953	1954	1955	1956	1957
Bulgaria	(1)	66.6	65.9	74.4	76.6	78.9	80
	(2)	85	100	110	123	131	141
Czechoslovakia	(1)	62	57	62	61	61	62
	(2)	104	100	113	122	128	138
GDR	(1)[a]	83.6	82.3	84	81.2	78.3	77.9
Hungary	(1)	52	46.4	57.7	70.3	84.5	71
	(2)	98	100	119	127	137	146
Poland	(1)	60.8	55.4	60	60.2	74.5	73.8
	(2)	99	100	115	123	134	….

[a] Includes reparations and export subsidies.

Source: Economic Survey of Europe in 1958, Geneva, 1959, ch. IV, p. 3.

Note: Indices are calculated in constant prices: for Hungary the series for 1952–1954 is in 1949 prices and for 1954–1957 in 1954 prices, for Poland the series for 1952–1955 in 1950 prices and for 1955-1957 in 1956 prices

The events that occurred in the GDR forced the Ulbricht regime to make concessions to society. The Socialist Unity Party of Germany withdrew the work norms introduced in April 1953, while minimum pensions were raised. At the same time, the minimum wages of industrial workers rose by 20–38 German marks weekly. Despite these positive achievements, the East German leadership did not revise the main targets of its economic policy and made only tactical moves. Due to social discontent among the population in the autumn of 1953, the prices of basic foodstuffs were lowered by 10–25 per cent.[21] Additionally, a loan of 485 million roubles from Moscow from the USSR helped to mitigate the economic difficulties in the East European country.[22]

Similarly, to the GDR, unrest occurred in Czechoslovakia, too, where a small-scale revolt erupted in Pilsen, the location of the famous Skoda Works. The rioters trampled on pictures of the hated Stalin and violated the Soviet flag. The local Czech police forces were able to quell the disturbances.[23] The new president of the state, Antonin Zapotocký, delivered a speech on 4 September 1953 at the Congress of the Communist Party of Czechoslovakia, stressing overstrained investments and disproportionalities at the national level. A government decree was adopted in order to correct the planning mistakes by emphasizing the increase of the wellbeing of society and the development of the agriculture. In September 1953, targets of the first Five-Year Plan were revised, in which annual investments were reduced by 16.1 per cent, but additional resources were granted to housing construction. By

[21] Németh, p. 498.

[22] Honvári, *Magyarország gazdaságtörténete Trianontól a rendszerváltásig*, p. 384.

[23] Aldcroft – Morewood, p. 143.

the end of 1953, the sums earmarked for cooperatives and investments in trade also increased by 665 million and 111 million crowns.[24]

As far as agriculture was concerned, the list of kulaks was abolished. Private peasants were allowed to sell their surplus produces at high free market prices. In December 1953, compulsory deliveries ceased and procurement prices of farm products gradually improved. As a result of these measures, the membership of agricultural cooperatives fell from 381,000 to 304,000 between 1953 and 1954. According to official statistics, over the same period real wages and personal consumption rose by 10 and 14 per cent respectively.[25] Despite these mild policy corrections, the rigid steering mechanism of the command economy still remained in Czechoslovakia.

Political and social unrest was also clearly visible in Poland. Following Stalin's death on 5 March 1953, the leadership of the Polish United Workers' Party (PUWP) restrained to use the expression of the "New Course", although annual plans were modified in the fourth quarter of 1953, by placing more emphasis on the production of consumer industries and agriculture. As rightly noted by Kramer, Poland was the initial focus of Soviet concerns due to the series of events starting in June 1956. The Soviet leadership was concerned about the growing instability and rebellion in the country.[26] On 28 June 1956, workers protested in Poznań against the working conditions and the elimination of progressive piecework rates, which reduced their incomes by about three quarters. The demonstration turned into a bloody riot because 53 people were killed by the Polish authorities. The national uprising and Soviet repression were avoided by Władysław Gomułka, who became the first secretary of the PUWP in October 1956.[27]

The Soviet leadership discussed a variety of options, including economic sanctions and military operation, but finally, all of them were rejected by the Politburo. According to the meeting on 21 October 1956, the CPSU Presidium unanimously decided to 'refrain from military intervention' and to 'display patience', at least for a while.[28] Both Gomulka's speech on 24 October and his follow-up discussions with Khruschev convinced the Soviet leader that Poland would remain a loyal member of the Warsaw Pact.[29]

The first secretary of the PUWP made major concessions to the population; however, the structure of one-party system was maintained until 1989. Therefore, the 'Polish October' was a milestone in the country's modern history, because it led to the end of collectivisation and the expulsion of Soviet officials from major government posts.[30] At the same time, the Economic Council was established, which operated as an advisory body and conducted independent analyses. In

[24] Honvári, pp. 384–385.

[25] Myant, *The Czechoslovak economy 1948–1988*, pp. 67–68.

[26] Kramer, *The Soviet Union and the 1956 Crises in Hungary and Poland: Reassessments and New Findings*, p. 168.

[27] Slay, *The Polish* Economy, p. 28.

[28] "Rabochaya zapis' zasedaniya Prezidiuma TsK KPSS, 21 oktyabrya 1956 g.", L. 2.

[29] Chuev, *Sto sorok besed s Molotovym*, p. 113.

[30] Aldcroft – Morewood, *Eastern Europe within the Soviet orbit*, p. 144.

parallel with this process, an overarching discussion started about the economy's steering mechanism based on the 'Theses on Certain Directions of Change in the Economic Model'.[31] Seeing that the collectivisation was officially halted in 1956, the number of cooperative farms fell from 10,200 to 1,700 between September 1956 and December 1957.[32] Finally, workers' councils and industrial associations were legalised to participate in economic administration and management.[33]

As indicated by the Polish example, the Soviets wanted to seek a modus vivendi with Gomułka and tolerated moderate reform attempts that did not contravene to the interests of the USSR. In return, Poland achieved greater leeway to follow its own 'road to socialism' within the Eastern bloc.

As far as Bulgaria and Romania were concerned, both countries showed a mixed picture. In Bulgaria, Chervenkov pursued a cautious policy and did not criticise overtly the failures of the previous years. The Communist leadership did not make any move towards radical reform measures. Industrial investments were slightly reduced, and additional sources were earmarked for the agriculture and services. According to Berend, mild policy corrections led to the increase of consumption from 66 per cent to 77 per cent of the material products in Bulgaria between 1952 and 1955.[34]

In April 1956, Chervenkov's policy was harshly criticised by the Central Committee of the Bulgarian Communist Party (BCP). The plenum gave instructions to correct the failings of the second plan (1953–1957) because industrial production (especially output in heavy industry) lagged behind the original envisaged targets. Finally, Chervenkov was compelled to resign and Todor Zhivkov, who followed an anti-Stalinist stance, became the new leader of the BCP.[35]

Contrary to Bulgaria, there was a resistance against the Soviet de-Stalinisation in Romania, which was accompanied by a long struggle among the members of the Romanian Workers' Party (RWP). The Politburo was divided into two main wings: the first group, led by Gheorghe Gheorghiu-Dej wanted to pursue the old Stalinist policy line and rejected to make any concession to the society, while other members of the party accepted the concept of Khruschev to stabilise the regime with the introduction of moderate reforms. On 19–20 August 1953, a decree was adopted by the Central Committee of the RWP, envisaging to raise the living standards of the population and increase agricultural production at the expense of heavy industry. Despite these efforts, industrialisation was speeded up in the country, and disproportionalities between the main sectors of the economy (e.g. industry and agriculture) still remained. Although the Twentieth Congress of the Soviet Communist Party in February 1956 exerted positive influences on the political thinking of the reformist movement within the RWP, the de-Stalinisation process had only marginal effects on Romania's society.[36]

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[31] Brus, 1957 to 1965: *In search of Balanced Development,* pp. 97–98.
[32] Landau – Tomaszewski, *The Polish Economy In the Twentieth Century,* p. 262.
[33] Wilczynski, *Socialist Economic Development and Reforms,* p. 47.
[34] Berend, *An Economic History of Twentieth-Century Europe*, p. 178.
[35] Lampe, p. 141.
[36] Balogh, pp. 176–185.

Table 2: State gross investment by branch 1953–1956 (Rounded percentages)

Country	Industry			Agriculture		
	1953	1955	1956	1953	1955	1956
Bulgaria	40	39	37	14	20	22
Czechoslovakia	42	39	37	11	14	15
GDR	50	52	48	17	15	..
Hungary	48	41	46	6	11	..
Poland	52	43	44	10	15	17
Romania	57	57	55	7	14	10

Source: Economic Survey of Europe, 1955, Geneva, 1956, p. 229, and 1956, Geneva, 1957, ch. 8, p. 25, supplemented by national statistical yearbooks.

To better understand the impacts of the "New Course" it is essential to evaluate briefly the consequences of the reform attempt in the mid-1950s by way of emphasizing the similarities and differences among the selected countries in the region.

2.3 Aftermath of the "New Course"

As demonstrated by a detailed analysis of the selected countries in the region, only mild policy corrections and adjustments were made by the Communist leadership without making substantial modifications in the rigid and bureaucratic steering mechanism of the command economy. Taking into account both the external and internal circumstances, the following statements can be made by comparing each country:

1. In the course of a relatively short period, the wellbeing of East German population improved slightly, although the fourth Congress of the Socialist Unity Party of Germany in April 1954 meant the end of the reform process. In economic terms, the regime led by Walter Ulbricht focused on speeding up the industrialisation and the collectivisation of the agriculture in the country instead of providing additional resources for the consumer industries.

2. The immediate economic benefits of the "New Course" in Czechoslovakia were small compared to East Germany and Hungary because there was also very little change in political thinking. The Czechoslovak Communist leadership emphasized at the Ninth Congress of the Party that any mistakes were in its implementation. The Tenth Congress in June 1954 retained this official line, by invoking the achievements of the "New Course", but many party activists sought a major revision of this policy. Leading figures of the Party talked about the "sharpening class struggle" and the need for strong security organs to "liquidate the enemies".[37] Thus, in compliance with the old rhetoric, which encompassed the continuous fight against kulaks, collectivisation began to expedite in the summer of 1955.

[37] Myant, pp. 68–70.

3. The Polish reform attempt brought important changes both in the economic and social fields, however, the thaw that started after Stalin's death came to an end in 1957. As noted by Slay, the majority of measures introduced in 1956 were withdrawn by the Central Committee and the PUWP's authority was reasserted, which assumed full control over the workers' councils and all economic entities. "Off all the changes during 1954–1956, only the decollectivisation of agriculture survived the counter-reforms".[38]

4. In Bulgaria, the death of Stalin caused only minor changes in domestic economic policy, but after Spring 1956, the new first secretary of the Bulgarian Communist Party, Todor Zhivkov started to follow an anti-Stalinist discourse.[39]

5. Finally, in Romania, due to the internal division within the RWP, only a cautious and controversial policy line was pursued by the regime from August 1953 to December 1956, which focused on mitigating the domestic social and political tensions among the different strata of the society (e.g. industrial workers and the peasantry). It must be noted that the internal fighting within the Politburo ended in the summer of 1957, when Gheorghe Gheorghiu-Dej managed to consolidate his hold on supreme power.[40] Generally, it can be stated that self-criticism within the Romanian Workers' Party was rather mild and moderate. Although the first secretary of the RWP acknowledged the mistakes made in the economic policy prior to 1953, any radical change towards a more balanced economy was rejected by the old Stalinist line.

Table 3: Net material product generated in the socialist sector 1950 and 1955 (Percentages)

Country	**1950**	**1955**
Bulgaria	81.7[a]	84.6
Czechoslovakia	78.9	92.0
GDR	56.8	69.9
Hungary	65.7	70.8
Poland	54.0	70.3
Romania	61.4	63.0

[a] 1952.

Source: Anuari statistikor, 1959, p. 177.

As far as the fates of the Central and Eastern European countries were concerned, after 1953, the Soviets strove to mitigate social discontent in the region and to create a better climate for future negotiations with the West. The USSR also intervened politically in Hungary, when Rákosi was replaced by Imre Nagy in June 1953. There was never any question in Moscow that the satellite states would remain inside the Soviet sphere of influence. The next section of the paper evaluates the reform attempt in Hungary between 1953 and 1956. It also highlights the main consequences of the "New Course" both economically and politically.

[38] Slay, pp. 29–30.
[39] Lampe, p. 141.
[40] Balogh, p. 185.

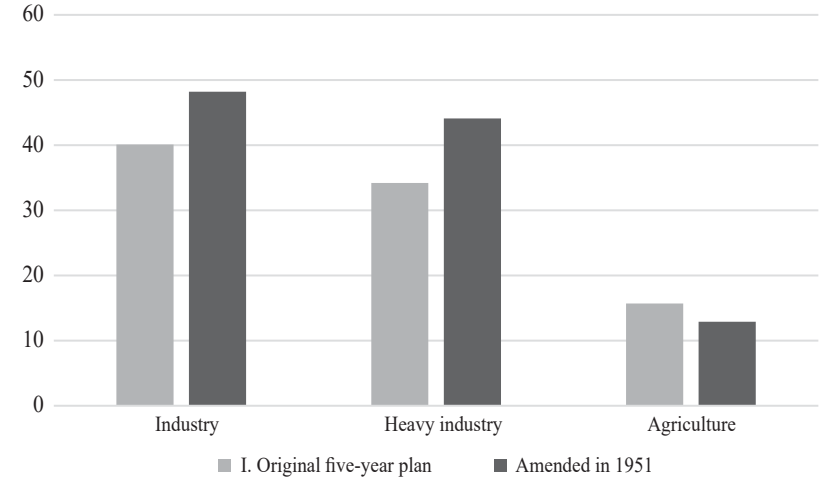
3. The case of Hungary

3.1 Forced disharmonic growth: 1951–1953

In Hungary, the first five-year plan period was between 1950 and 1954. By this time, the forcible expropriation of industrial and commercial property had been completed. In agriculture, the first wave of collectivization was underway, making individual farming impossible and terrorizing farmers by all kinds of means. The communist leadership considered the high reconstruction growth of the post-war years to be the result of socialist management and envisaged a continued high rate of growth, i.e. no slowdown in the rate of economic growth.[41] The extremely high plan numbers were seen as a way of exploiting the potential of the communist economic model.

The five-year plan aimed at a massive restructuring of the economy, rapid industrial development, and internal restructuring of industry. The investment was concentrated on heavy industry, including energy. In 1951, the investment targets set by the first five-year plan were further increased to four times the level of the previous three-year plan, from two and a half times. The increased plan called for a 280 per cent increase in production in heavy industry and 145 per cent in light industry. A large amount of investment was launched, which was increasingly out of step with technical planning. Capacity shortages became an acute problem: there were not enough building materials, skilled workers, and machinery, with the result that the share of uncompleted investments in the annual investment performance increased rapidly. In 1952, this rate had already reached 50 per cent.[42]

Figure 1: Distribution of investments (percentage)



Source: Ungvárszky, Gazdaságpolitikai ciklusok Magyarországon 1948 – 1988, p. 36.

[41] Bródy, *Gazdasági növekedésünk üteme, 1924-1965,* pp. 419-420.

[42] Csillik, *Az „ötvenes évek" problematikája Bauer Tamás, Jánossy Ferenc, Kornai János munkáinak tükrében,* p. 52.

The investment expansion was backed by an artificial contraction in consumption. The average wage per worker and employee was 12.1 per cent lower in 1951 and 20.3 per cent lower in 1952 than in 1949.[43] The steady increase in the amount of work imposed and the year-on-year increase in the appropriations for "peace loans" were also aimed at reducing purchasing power. The subscription to the plan loan at the end of 1949 and the five peace loans issued each year thereafter was formally voluntary, but in practice it was enforced by a heavy-handed approach, almost in the form of a tax.[44] Together, the six "peace loans" represented a very significant withdrawal from the population. The highest deduction was in 1952, when it amounted to 6.7 per cent of total wages paid.[45] The economic policy of forced growth was accompanied by political terror and lawsuits.[46] The Ambassador of the Soviet Union to Hungary, Yevgeny Kiselyov, in a note to Foreign Minister A. Y. Vishinsky attached to his report of 25 December 1952, expressed concern that the often unfounded judicial and administrative prosecutions of large masses of the Hungarian population exerted a negative effect on the mood of the population.[47]

The strong investment phase ran up against capacity constraints. The rush to economic growth soon made material supply critical, investment capacity (materials and skilled labour) was in short supply, and disruptions to consumer goods increased. Serious signs of a crisis emerged and, from 1952 onwards, external and internal imbalances became permanent. Severe food shortages threatened to bring about a total collapse of public supplies, but the import requirements of industry meant that cereal exports had to be met. From 1952 onwards, additional price increases were introduced in an attempt to further restrict the already tight purchasing power. At the turn of 1952/1953, the energy system was also threatened with collapse. The boom in investment was accompanied by a substantial trade deficit due to imports of raw materials and capital goods.

The country's external debt also grew at a great rate.[48] The rapidly growing debt was partly due to the fact that although both Eastern and Western trading partners were keen to buy agricultural products, Hungary insisted on exporting manufactured goods.[49] [50]

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[43] Gyenes, *Adatok és adalékok a népgazdaság fejlődésének tanulmányozásához 1949-1955,* p. 101.

[44] Cseszka, *Az 1956-os forradalom gazdasági okai. In: Botos Katalin (Szerk.): 1956: fordulat a gazdaságpolitikában,* p. 38.

[45] *Részletes kimutatások az* államkölcsönökről*,* MNL XIX-A-83-a 44/299. ő. e.

[46] See Zinner, *A magyar nép nevében? Tanulmányok a népbíróságokról, jogászokról, diktatúráról.*

[47] Volokityina et al. (ed.), Vosztocsnaja Jevropa v dokumentah rosszijszkih arhivov 1944-1953. II. 1949-1953. Moszkva-Novoszibirszk, Szibirszkij hronograf, 1998. 853-854.

[48] The country's external debt was 2.5 times higher than in 1950

[49] Cseszka, *A Rákosi rendszer válsága. Változások a gazdaságpolitikában 1953 és 1956 között.* p. 319.

[50] *Előterjesztés a Gazdasági Bizottsághoz*, MNL OL XIX-F-17-ah, 1. d.

3.2 The „New Course": Alignment experiment from 1953

By 1952/1953 at the latest, it had become obvious that it was impossible to continue industrialisation at the pace and in the manner previously pursued, but adjustments were possible after Stalin's death. By this time, it had become clear to the new Soviet leadership that the situation in Hungary was untenable. The party leadership in Moscow wanted a leadership in Hungary that could guarantee the existing political system even after withdrawal from Austria.

Disagreements also surfaced in the leadership of the Hungarian Communist Party, due to economic failure, food shortages and political discontent among the masses. The party leaders were aware of the tensions and the discontent of the masses. In March, two proposals addressed the problems of the peasantry and agricultural production. And a May report said that coal mining was 10 per cent behind the annual plan. In May, however, there was no suggestion that the Party's policy was wrong, and a decision was taken to speed up the pace of the organisation of the cooperatives. However; after the events in Berlin, preparations for a meeting of the Central Executive began apace.[51] By the spring and summer of 1953, a serious internal political crisis had arisen in Hungary as a result of external and internal events.

In the late spring of 1953, the changes in the Soviet Union gave direction to the Hungarian leadership. Following Mátyás Rákosi's visit to Moscow, he informed the Hungarian government that the Soviet Union was planning major economic transformations aimed at increasing the production of consumer goods, raising the living standards of workers, and reducing investment in heavy industry. In this context, Hungary was advised to make similar changes, as over-investment was hampering improvements in living standards.[52]

After Rákosi's return home, a committee was set up to review the economic plans and it was found that the over-investment had failed to develop the sectors that would raise living standards. The MDP leadership eventually decided to reduce investment moderately, but this was not enough to improve the economic situation, as the largest investments were not substantially touched.[53] The measures were eventually overruled by an invitation from the SCP KB to Budapest.

The Soviet leadership invited a Hungarian delegation to Moscow. Of the four leaders at the time, József Révai and Mihály Farkas were not invited, while Imre Nagy and András Hegedűs were. József Révai and Mihály Farkas were hard-line Stalinist representatives of the Soviet-style dictatorship, who strictly followed the directives of the Soviet Union. In contrast, Imre Nagy, in particular, was already

[51] Papp, *Magyarország 1953-1956. Az „új szakasz" – egy meghiúsított kísérlet. Kerekasztal-beszélgetés a kor tanúival,* p. 5.

[52] Germuska, A szocialista iparosítás Magyarországon 1947–1953 között. In 1956 Évkönyv 9, 2001, p. 167.

[53] Az MDP KV Államgazdasági Bizottsága előterjesztése a népgazdaság 1953. évi tervének módosításáról. Az MDP Titkársága 1953. június 10-i ülésének jegyzőkönyve. MNL M-KS 276. f. 54. cs. 247. ő. e.

emphasising the need for reform. He advocated a relaxation of Stalinist economic policy, especially with regard to the collectivisation of agriculture, and a reduction in political repression.

Severe criticism was voiced in Moscow. They criticised the Hungarian leadership for the 750,000 acres of fallow land and considered the excessive development of the iron industry to be adventurism because it was based on imported raw materials. And Mikoyan criticised the large-scale requisitioning of war material, even though there were food shortages in Hungary.[54] During the trip, the Hungarian party leadership did not decide on any substantive changes.

By then, some in the party leadership were convinced that an immediate improvement in living conditions was essential for political stability. In order to overcome the contradictions and tensions created by the first five-year plan, a partial modification of the methods followed up to that point was deemed necessary.

It was against this background that the Hungarian Workers' Party's (Communist Party) Central Executive met on 27–28 June 1953. The resolution adopted at the meeting, which saw the mistakes made in previous years in

- the excessively rapid pace of industrialisation, especially the development of heavy industry, which did not take account of the country's potential.
- Agricultural production had been neglected and the large-scale conversion of agriculture had been pursued at an unrealistic pace.
- The standard of living of the population declined and the needs of the population were neglected.
- Administrative methods and judicial procedures were excessive, and arbitrary actions against the population were rampant.

Adopted in June, the full text of the Central Executive's decision on this issue was not made public, and only a short, excerpted version was circulated to the party's mid-level organs; perhaps because the decision was only about mistakes, not results, and this would have made it difficult for the old, compromised leaders to remain in office.[55] The public could only learn about the content of the resolution from Prime Minister Imre Nagy's speech to Parliament on 4 July 1953, and thus about the steps planned to correct the mistakes made.[56]

Imre Nagy, the new President of the Council of Ministers, said in his speech that "the party's economic policy must be radically changed, the pace of industrialisation must be reduced, and above all the pace of development of heavy industry, and the development plans of the national economy and investments must be reviewed."[57] In his speech, he condemned the forced expansion of heavy industry and called for an increase in living standards and support for agriculture. His speech

[54] T. Varga, *Jegyzőkönyv a szovjet és a magyar párt- és állami vezetők tárgyalásairól 1953. június 13–16.* Múltunk, 1992. 2–3. p. 242.

[55] Szabó, Új szakasz az MDP politikájában. 1953–1954. pp. 36–37.

[56] Honvári, *Magyarország gazdasági fejlődése a II. világháború után (1945-1958),* pp. 547–548.

[57] Nagy, *Miniszterelnöki beszéd,* p. 1.

marked the beginning of a period of adjustment. This period is often referred to as the 'Socialist Enlightenment' and is associated with Imre Nagy.

The decision of the Central Executive Board already considered it important to support individual farms and improve the security of agricultural production, but the Prime Minister's speech emphasised this and put it first. "The Government considers it a priority task to support the production of individual farms, to provide them with means of production and labour, equipment, fertilisers, improved seeds and other means of agrotechnology." He added that "the Government intends to do everything possible to consolidate the security of peasant production and property." However, little emphasis is given to the section on producer cooperatives. Imre Nagy spoke only of "the most viable way to the uplift of the peasantry", adding that the government would continue to give its full support to cooperatives, but would not consider them exclusive.

The parliamentary speech also differed from the resolution in that it did not detail the mistakes of the previous period and did not discuss the situation within the party. Meanwhile, the arrest on 26 June of Beria, who had been the most outspoken attacker of the hard-line Rákosi just a month earlier, suggested a change in the Soviet leadership. Sensing a shift in the Soviet leadership, Rákosi went on the counterattack.[58] By July, the split within the party had become apparent, although propaganda still spoke of complete unity in 1954.

The detailed presentation of the June decisions and the drafting of the guidelines were delayed, and only in September were they presented to the party organisations. The reason for the delay was that it was not yet clear to what extent the Soviets were deviating from Stalin's views, and the resolution was therefore ideologically neutral. In contrast, the other annexed countries of the socialist bloc had already drawn up their government programmes after the fall of Beria.[59] [60]

The 1953 annual plan was amended in accordance with the new economic policy direction announced at the July 1953 Diet, and the 1954 plan was also drafted in the same spirit. The government curbed economic growth, reducing the target from the original 14 per cent to 3.4 per cent. These measures were aimed at correcting the structural imbalances in the economy (consumption-accumulation, heavy industry-light industry, industry-agriculture). Their main features were a reduction in the share of investment in heavy industry and an increase in investment in agriculture, stating that "the question of boosting agricultural production is now the key issue for our development because only by tackling it can we ensure a steady and adequate rise in living standards."

[58] Papp, *Magyarország 1953-1956. Az „új szakasz" – egy meghiúsított kísérlet. Kerekasztal-beszélgetés a kor tanúival.* p. 7.

[59] Cseszka, *A Rákosi rendszer válsága. Változások a gazdaságpolitikában 1953 és 1956 között.* pp. 309—310.

[60] See Naumov, V. P. – Szigacsov, Y. (ed.): Lavrentyij Berija. 1953. Sztycnogramma ijulszkogo plenum CK KPSZSZ i drugijc dokumcntü. Moszkva, Mczsdunarodnüj Fond „Dcmokratyija", 1999.

The share of national income spent on investment was reduced by 30 per cent, with the share of heavy industry falling from 43.7 per cent to 33.6 per cent, while the share of investment in agriculture increased by 45 per cent. Ongoing investments were also reviewed, with about 14 per cent of them being either temporarily or permanently halted, including some extremely costly large investments, e.g. the construction of Stalin City (now Dunaújváros) and the Budapest metro.

3.3 Raising living standards

The aim of reducing investment in heavy industry and increasing investment in agriculture was to increase household consumption. At the same time, the consumer goods sectors received more investment, which increased the production of public goods.[61] In 1953, the government implemented several price reductions, increased the wages of workers and employees, reduced the burden on the peasantry, and waived certain arrears of fees and taxes.[62]

Certain debts and tax arrears were abolished, collection requirements were fixed three years in advance, and the cooperative peasants' backyard land was allowed to be 1 cadastral acre per member. An amnesty was declared, the rehabilitation of victims of the *Concepción* trials was begun and a decree was issued on the dismantling of internment camps.

The most significant agricultural policy measure in the new government program was undoubtedly the possibility for members to leave the cooperative at the end of the marketing year, and if two-thirds of the membership decided to do so, the cooperative could be dissolved in the autumn. Although the decree regulating the process put those who left in a difficult situation, it was not possible to prevent the dissolution of cooperatives that had been brought together under duress.

Table 4: Number, area and membership of agricultural cooperatives 1953-1954

Date	Arable land as a percentage of the country's arable land	Number of cooperatives	Number of members
30 June 1953	20,3	3768	300370
31 December 1953	13,6	3307	193328
31 December 1953	12,6	3239	174583

Source: Honvári, p. 551.

[61] Honvári, *Magyarország gazdasági fejlődése a II. világháború után (1945-1958),* pp. 552-554.

[62] Government Decision No. 1037/1953 stated that all unpaid fee arrears of the tenés and individually farmed peasants to the machinery stations from before 1 July 1952 should be released. (The combined fee arrears of individual and collective farms at that time amounted to HUF 115.5 million.)

As a result of these measures, real wages and salaries in the second half of 1953 were 12 per cent higher than in the first half of the year and nearly 18 per cent higher than in 1952, approaching the level of 1949. The real income of the peasantry rose by more than this in the second half of 1953.

As a result of price cuts and wage and pension increases, the population sought to make up for the shortfall in purchases made in previous years and that in the supply of industrial goods. However, the distorted structure of the industry was not able to meet even the relatively small increase in demand. Although the situation was only slightly improved in the short term by the fact that it was made much easier for small-scale industrialists to practice their trade, which doubled their numbers between 1953 and 1955.[63] Industry produced more public necessities as a result of the changeover, and retail trade was able to distribute many more goods. Retail trade sold 21.4 per cent more goods in the first quarter of 1954 than in the same period in 1953. Demand increased particularly for consumer durables. Purchases of building materials increased considerably, but even so, the growing demand could not be met, and shortages, although reduced, did not disappear, supply and demand were not in balance.

3.4 The beginnings of theoretical reform work

In the field of economic theory, a critical process of research and analysis has also begun. András Hegedűs,[64] one of the emblematic leaders of the new phase, wrote in his memoirs about the process that began in 1953: *"From June 1953 onwards, an elementary process of enlightenment began throughout Eastern Europe, but especially in Hungary. The Enlightenment identified itself with the critical spirit, with the rejection of ready-made theorems and 'truths'. It was a process of striving for independent thought, the elimination of prejudices, and mystical thinking."*[65] In 1954, the *Economic Review*[66] was relaunched and the Institute of Economics of the Hungarian Academy of Sciences was established. The analyses became more critical but did not go beyond the limits of political-ideological tolerance. They did not seek to change the system, but only to modify it, and their main area of investigation were the fundamental problems of the economic mechanism.

In economic journals (above all in the *Economic Review*, which was re-launched in 1954), several studies that examined the contradictions of the direct control mechanism were published. The debate focused on the economic policy to

[63] Cseszka, *A Rákosi rendszer válsága. Változások a gazdaságpolitikában 1953 és 1956 között.* p. 311.

[64] Deputy Minister for Agriculture from 3 November 1951 to 5 January 1952, Minister for State Agriculture and Forestry from 5 January 1952 to 6 June 1952, Minister for State Farms and Forests from 6 June 1952 to 4 July 1953, First Deputy President of the Council of Ministers from 4 July 1953 to 18 April 1955, Minister for Agriculture from 4 July 1953 to 30 October 1954, and President of the Council of Ministers from 18 April 1955 to 24 October 1956.

[65] Hegedűs, *A történelem és a hatalom igézetében.* p. 208.

[66] A long-established monthly journal on economics from 1893, it was discontinued in 1949. It was relaunched in October 1954.

be followed, the economic mechanism, and socialist development. Many elements of the economic policy of the post-1956 revolution are already present here, so it can be said that, albeit with some setbacks and setbacks, it theoretically prepared the ground for the reform of the mechanism introduced in 1968.

Based on their work, two economists, György Péter and János Kornai, had the greatest influence. György Péter, as President of the Statistical Office, recognized the economic problems of the 1950s relatively early on and soon published his critical thoughts in the *Social Review*.[67] He summarised his ideas in the *Economic Review*, where he argued that an economic system based on the autonomy and responsibility of enterprises was needed.[68] He later came to recognize the real profit motive and the role of the market.

János Kornai submitted his doctoral dissertation in 1956 as a fledgling researcher at the Institute of Economics of the Hungarian Academy of Sciences, in which his critical thoughts on central planning first appeared. The defense took place in mid-October 1956, two weeks before the revolution. It was an extraordinary success, leading to his promotion from assistant to staff member. He also began work on a proposal for economic reform at the Institute. The work was finally published in book form in February 1957 under the title *Excessive centralization of economic management*.[69]

The studies that appeared in successive years paid more and more attention to the questions of economy and, in this connection, to the methods of planned management of the national economy, criticizing the existing shortcomings and mistakes and searching for ways to eliminate them. The focus was on closely interrelated issues such as the optimal reconciliation of centrally planned management and local autonomy, ensuring the harmony of individual interest, group interest, and social interest, and the correct application of the principle of material interest.

The search for a theoretical way forward also brought to the fore the issue of corporate autonomy, which was not only politically sensitive but also raised several unresolved problems that strongly divided economists of the time. In a study by Sándor Balázsy, he argues for the justification of workers' councils, while stressing that the benefits of this form of organization can only be realized if certain conditions are met (e.g. corporate autonomy).[70]

3.5 Political debates

The practical economic policies of the new phase have been the subject of considerable debate from the outset. From the beginning, the orthodox line led by

[67] Péter, *Az egyszemélyi felelős vezetésről.* pp. 109–124.

[68] Péter, *A gazdaságosság és jövedelmezőség jelentősége a tervgazdálkodásban (1).* Közgazdasági Szemle, 1956. 6. pp. 659–711. Péter, *A gazdaságosság és jövedelmezőség jelentősége a tervgazdálkodásban (2).* Közgazdasági Szemle, 1956. 7–8. pp. 851–869.

[69] Kornai, *A gazdasági vezetés túlzott központosítása. (Overcentralization in Economic Administration).*

[70] Balázsy, Üzemi munkástanács, vállalati önállóság, iparvezetés, pp. 1293–1306.

Rákosi tried to use economic arguments to get Imre Nagy deposed. To their credit, the hasty interventions generated several new controversies and gave rise to serious conflicts of interest and serious opposition.

The National Plans Office, the Ministry of Coal and Mechanical Engineering, and the heavy industry lobby obstructed the implementation of the measures wherever possible.[71] The ministry and big business leaders involved blocked the reallocation of investment. And dogmatic leaders who had been sidelined from power continued to press for a return to pre-1953 economic policy. The evolution of Soviet policy also played into their hands: the direction of economic reform was again pushed into the background.

The debt situation has not improved under Imre Nagy's new course but rather worsened. The difficulties in foreign trade came into being because exports of agricultural products have been cut sharply and export-oriented enterprises have also performed poorly.

In the first year of Imre Nagy's premiership, the indebtedness of the West increased two and a half times, and by 1 July 1954 the national debt reached HUF 2 billion. Unable to cover its imports from its own revenues, Hungary had to use its gold reserves. As a result, while in 1949 the freely usable gold amounted to 36.1 tonnes, by June 1954 it had fallen to 13 tonnes and by September 1955 to five tonnes.

Imre Nagy's situation was aggravated by the fact that in 1955 the Soviets refused his Hungarian request for exports and imports. They refused to accept the Hungarian products offered to them, and a large part of the goods requested by the Hungarians were not made available. No explanation was given for this unusual decision. As a result, the missing goods had to be sourced from Western Europe, which in turn exacerbated the debt situation. As a result of Rákosi's intervention, Moscow finally agreed to increase Hungarian exports by 130 million roubles and imports by 94 million roubles. In the absence of adequate Soviet sources, one can only speculate as to the reasons behind this unexpected Soviet decision. One of them may have been to weaken Imre Nagy's position. This is suggested by the fact that Moscow raised the contingent after his resignation.

The second half of 1954 saw the maturation of changes that led to a backward direction. In international politics, confrontation again came to the fore. In the autumn of 1954, the previous international détente was replaced by a renewed increase in tensions. West Germany's membership in NATO threatened to upset the military balance in Europe, and this was compounded by the US 1953 proclamation of a doctrine of peaceful liberation rather than a policy of containment. In the Soviet Union, economic reform was again pushed into the background, and this had consequences in Hungary.

The rise of Cold War tendencies played into the hands of the Rákosi family, who from the outset sought to use economic arguments to get Imre Nagy deposed. After the Political Committee's approval, Mátyás Rákosi wrote a letter to Khrushchev on 16 December 1954, requesting that the Presidium of the USSR Communist

[71] Honvári, *Magyarország gazdasági fejlődése a II. világháború után (1945-1958),* p. 558.

Party's Central Committee receive the Hungarian Workers' Party's delegation.[72] Ernő Gerő[73] had already stated that the only way out of the crisis would be to persuade Imre Nagy to admit his mistakes and not to 'take his line'. Finally, on 12 January 1955, the Soviet leadership invited the Hungarian leadership to another inter-party consultation.[74]

Rákosi intended to support his old domestic policy. In the spring of 1955, the defense policy and military-industrial plans of the time were reviewed and amended. Among the reasons for the criticism was the shortage of ammunition. In his criticism of Khrushchev's MDP/HWP Political Committee delegation, he also indirectly denounced the military policy practices of the Imre Nagy government: *"There will or will not be a war, we must develop industry. There will be enough bacon, but if there are no planes, there will be trouble."*[75] Later that year, the Warsaw Pact institutionalized the Soviet military presence in Eastern Europe.

In the party leadership, the group that had seen the policy of the previous year and a half as a forced detour, a departure from the path of socialist construction, was reasserting itself. In this spirit, a decision was taken as early as December 1954 to speed up the development of heavy industry. The Central Executive condemned Imre Nagy for the withering away of heavy industry and for 'undermining the defense capabilities of the socialist homeland'.

On 13 January 1955, in accordance with the Moscow negotiations, the Political Committee took a stand in favour of the previous (pre-July 1953) economic policy, but there was no question of Imre Nagy's dismissal or exclusion from the party. His recall took place only at the April 14th Central Committee meeting. Imre Nagy's surroundings were under constant surveillance by the Soviets, because 'he did not cease his hostile activities'.[76] Imre Nagy was finally expelled from the party on 3 November 1955, which caused a great outcry in reformist circles and among intellectuals.

From 1955 onwards, the reversal process began. The party decided to raise the standards for the machinery industry by 12 per cent and then to issue the 6th Peace Loan. At the same time, the most important goal became the restoration of the balance of foreign trade. Economic policy, which returned at the end of 1954, resolved to cut Western debts substantially within two years. The way to do this was to reduce imports of various import products decisively and to increase Hungarian exports, especially food exports. Achieving a balance was also given priority over living standards policy.

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[72] Cseszka, *A Rákosi rendszer válsága. Változások a gazdaságpolitikában 1953 és 1956 között.* p. 320.

[73] Leading communist functionary. In November 1950, together with Mátyás Rákosi and Mihály Farkas, they set up a secret top committee (*troika*) which ruled the country with full power until 1953. In 1954–56, as chairman of the Economic Policy Committee of the Central Executive, he led the political actions to abolish the reforms introduced by Imre Nagy.

[74] Baráth, *Szovjet nagyköveti iratok Magyarországról 1953-1956. Kiszeljov és Andropov titkos jelentései,* p. 212.

[75] Rainer – Urbán, *„Konzultációk". Dokumentumok a magyar és a szovjet pártvezetők két moszkvai találkozójáról 1954–1955-ben.* p. 147.

[76] Szovjet nagyköveti iratok Magyarországról 1953–1956. p. 219.

By 1956 tensions had grown enormously in both the economy and society. The disillusionment caused by the halt in the reform process and the backwardation of the economy was exacerbated by a further drastic deterioration in living standards. As a result of the new increases in standards, some lathe workers at the Rákosi Works went on strike on 30 June and there were also strikes at the brickworks in Debrecen. As the input needs of industry could only be met by the export of agricultural products, the shortage of goods became severe, and the situation threatened to lead to the collapse of public services. In the crisis, the leadership turned to the Soviet Union for help, which undertook to supply 100,000 tons of oil and 70,000 tons of coke in exchange for Hungarian industrial goods by the end of the year, and in September 1956 to grant a 100 million rouble loan to help Hungary's economy.[77] At its meeting in early October, the Council of Ministers saw the fuel supply for the last quarter as being solvable only by extraordinary measures, by further substantial imports, including large-scale imports of the equivalent of dollars.

In a situation close to the explosion, the Council of Ministers stopped issuing domestic state loans on 4 October, but this did not prevent the political collapse in October 1956.

In the summer and autumn of 1956, intellectual circles, especially the Petőfi Circle, took an active role in political debates. These debates openly criticised the party leadership and voiced the demand for reform. These events radicalised public opinion, especially among students and young intellectuals. The events of the Poznan workers' uprising had a strong impact on Hungarian youth, as did the feeling of solidarity with the Poles. Although the uprising was crushed in blood by the Polish government, it allowed Gomulka to return to power and Poland to gain some autonomy from Moscow. These events gave the Hungarians hope for change.

On 22 October 1956, the Association of Hungarian Colleges and Universities issued its *16 Points*, calling for political freedom, the return of Imre Nagy and the withdrawal of Soviet troops. These points became one of the central demands of the demonstration of 23 October and, in its wake, of the revolution.

4. Conclusions

The socialist bloc consisted of a series of countries with different levels of development and social complexity. Nevertheless, it cannot be disputed that these former socialist countries were the scene of the greatest economic and social transformation experiment in modern history.

In discussing the events of the 1950s in the group of East-Central European countries, the Soviet imperial context and socialist ideology are two of the dominant components. The direct role of both can easily be detected in the repeated choice of certain strategic solutions and the rejection of others. If either of these two factors is neglected – either the imperial or the ideological element – the analysis

[77] Baráth, *Szovjet nagyköveti iratok Magyarországról 1953–1956. Kiszeljov és Andropov titkos jelentései,* p. 359.

remains one-sided. It is in the spirit of these two factors that a specific, grandiose experiment in modernization, driven and imposed from above, has taken place.

Even beyond the individual moments, the basic identity of the structure of the socialist attempts at modernization can be demonstrated. Looking at their chronological sequence, we can see that classical socialism was only a few years in the making: in Hungary between 1949 and 1953, but Poland remained in many respects the eternal exception, where neither the autocracy of ideology nor the common agricultural economy could be temporarily rooted.

It can be said that the reform efforts were almost contemporaneous with the planned economy, but the period after Stalin's death is a clear dividing line in the East-Central European group of countries. The imbalances that had developed by then, the deteriorating economic indicators, and the growing social resistance all reflected an extreme departure of economic policy from reality.

The death of Stalin in March 1953 and the protracted struggle among the members of the Politburo had repercussions in the Central and Eastern European countries. The new Soviet leadership revised the economic policy objectives of the Stalinist era, which was based on forced industrialisation and started to put more emphasis on increasing the wellbeing of the population. The new foreign policy doctrine was to mitigate the tensions between the two main superpowers, the United States and the USSR. As far as Central and Eastern Europe was concerned, the Soviet Union wanted to maintain stability at all costs and never wanted to let the satellite states desert the communist bloc. The increasing social and political unrest in the region forced the USSR to make concessions towards the countries of the region.

As the comparison of the selected countries in the region shows that reform measures which were implemented in Central and Eastern Europe between 1953 and 1956 focused on correcting the failures of the central planning without modifying the rigid and bureaucratic steering mechanism of the command economy. Although the pattern of investments across the different branches of the economy (agriculture and consumer goods industries versus heavy industry) was slightly modified, obligatory targets within the annual planning were retained at the micro level. Thanks to the abolition of cooperatives and compulsory deliveries on individual farmers, agricultural profitability improved gradually. Despite the positive changes, at the end of the 1950s, practically all countries in the region returned to the Soviet-type centrally planned economic system. Therefore, mild policy corrections were only temporary and ad hoc solutions to the problems, caused by the deficiencies of the centrally planning in the Central and Eastern European countries.

As the examples of the selected countries in the region show that the satellite states attempted to adjust to the changed circumstances in compliance with the new guidelines launched by the Kremlin leadership. These steps led to fierce political struggles and conflicts in Central and Eastern Europe. Hungary was especially a striking example that experienced intense changes as a result of the "New Course".

After Stalin's death, a period of adjustment began in Hungary, which raised high hopes in Hungarian society. The main aim of this attempt at adjustment was to raise living standards and correct the distorted economic structure. The change

triggered a serious economic and ideological conflict between the orthodox and the new tendencies, while changes within the Soviet political leadership were constantly reflected in political struggles. In parallel with these changes, economic theorizing on the reformability of the socialist plan-guided system and its main directions began, which, albeit intermittently, set in motion a process of searching for a way forward in which the earlier economic policy dogmas were at least partly challenged.

At the same time, the hasty, often ad hoc economic policy decisions of the new policy stance have been fraught with contradictions, such as the abandonment of investments that are already 80–90 per cent complete and a growing trade deficit. These economic problems, together with adverse external events, gave the orthodox forces the opportunity to launch a counterattack and discredit Imre Nagy's reform policies before the Soviets. With the return of the orthodox line, heavy industry-oriented economic policies came to the fore again in 1955, increasing the burden on workers and the discontent of the population. Measures to rebalance the external economy, such as reducing imports and increasing exports, further worsened living standards.

Economic difficulties, the reversal of reforms, political purges and growing popular discontent combined to create the basis for revolution. During the prolonged crisis of the Rákosi dictatorship, the 1.5-year period of the new phase, marked by Imre Nagy, brought some relief to society. It is no coincidence that one of the main demands of the series of demonstrations that erupted on 23 October 1956 was: "We want new leadership, we have confidence in Imre Nagy!"

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POVZETEK

„Nova smer" in njeni vplivi v srednji in vzhodni Evropi: primer Madžarske

Endre Domonkos in András Schlett

Smrt Stalina 5. marca 1953 je je imela politične in gospodarske posledice za vse države srednje in vzhodne Evrope. V začetku leta 1953 je postalo očitno, da je bila prisilna industrializacija, ki je temeljila na sovjetskem modelu, možna le na račun kmetijstva in drugih sektorjev gospodarstva. Prekomerne naložbe in iracionalne vojne priprave iz prvih petletnih načrtov so privedle do dramatičnih posledic v regiji. Sovjetski model planske ekonomije z njegovim togim birokratskim mehanizmom usmerjanja je še poslabšal gospodarske težave. Pomanjkanje osnovnih prehrambnih izdelkov in potrošniških dobrin je bilo splošno. Življenjski standard prebivalstva se je na splošno poslabšal, kar je privedlo do naraščajočih političnih in socialnih napetosti v srednji in vzhodni Evropi. Nova sovjetska oblast, pod vodstvom Georgija Malenkova, se je zelo dobro zavedala socialnih nemirov, ki so izbruhnili v vzhodnem bloku. Zaradi naraščajočih težav so se v Sovjetski zvezi odločili spremeniti cilje gospodarske politike, ki so veljali od leta 1949 do 1953. Prvotni cilji prvih petletnih načrtov so bili spremenjeni tako, da se je večji poudarek dal na razvoj kmetijstva in povečanje blaginje prebivalstva na račun težke industrije in oboroževanja. Na podlagi pregleda literature lahko ugotovimo, da je bil proces reform v srednji in vzhodni Evropi razmeroma kratek in ni privedel do pomembnih sprememb v togem in birokratskem mehanizmu usmerjanja centralno načrtovane ekonomije. Blagi politični popravki, ki so bili izvedeni v vsaki državi, so pomenili le začasno rešitev gospodarskih težav. Pri primerjavi izbranih držav je treba poudariti, da so bili takojšnji gospodarski učinki „nove smeri" na Češkoslovaškem in v Romuniji zanemarljivi, saj je bila stara stalinistična linija, ki je odločno zavračala vsak poskus prehoda v bolj uravnoteženo gospodarstvo, še vedno prevladujoča. Čeprav je upor v Vzhodnem Berlinu poleti 1953 prisilili oblast v Vzhodni Nemčiji, da je popustila v odnosu do prebivalstva, so večino ukrepov, kot sta na primer bila olajšano potovanje v tujino in ustavitev kolektivizacije kmetijstva, razveljavili na četrtem kongresu Stranke socialistične enotnosti Nemčije aprila 1954.

Poskus reform na Poljskem je bil mejnik v sodobni zgodovini države, saj je privedel do konca kolektivizacije in sovjetski uradniki so izgubili vladne položaje. Novi vodja Poljske enotne delavske stranke (PUWP) je postal Władysław Gomułka s katerim so Sovjeti dosegli modus vivendi ter priznali zmerne reforme, ki niso bile v nasprotju z njihovimi interesi; zlasti so bili zavrnjeni kakršni koli koraki k nadaljnji liberalizaciji.

Tudi v Bolgariji se je kazala mešana slika. Valko Červenkov, generalni sekretar Bolgarske komunistične stranke, je sprva sledil previdni politiki in ni ostro kritiziral neuspehov prejšnjih let. Izvedeni so bili le blagi politični popravki v državi in Červenkov je bil aprila 1956 prisiljen odstopiti. Novi vodja bolgarskih komunistov je postal Todor Živkov, ki je zasledoval antistalinistični diskurz.

Na Madžarskem je začetek „nove smeri" sredi leta 1953 sprožil kratko obdobje političnih in gospodarskih reform, ki so se odvijale v vzdušju socialnega nezadovoljstva in globokih gospodarskih neravnotežij. Kot njeni regionalni pandani je tudi Madžarska po letu 1949 sledila stalinistični poti prisilne industrijalizacije in obsežnega centralnega planiranja, kar je privedlo do dramatičnih posledic: kmetijska proizvodnja se je sesula, realne plače so padle, osnovne potrošniške dobrine so kronično primanjkovale. Breme naložb je padlo predvsem na prebivalstvo, zlasti na kmetijstvo, medtem ko je državni represivni aparat zatrti nasprotovanje in razprave. Smrt Stalina in sprememba sovjetskega vodstva sta odprla prostor za omejeno revizijo. Imre Nagy, imenovan za predsednika vlade julija 1953, je postal obraz reform. Njegov program je želel ublažiti ekscese stalinističnega gospodarskega modela z zmanjšanjem poudarka na težki industriji, podporo kmetijstvu, izboljšanjem življenjskega standarda in decentralizacijo določenih administrativnih funkcij. Politična represija je bila omiljena, manj je bilo internacij, prišlo je do revizij političnih procesov, politični zaporniki pa so bili izpuščeni. Zaustavljena je bila kolektivizacija kmetijstva, ideološka togost pa je – za kratek čas – popustila in omogočila previdne eksperimente.

Vendar pa so bili reformni napori od začetka omejeni. Madžarska delavska partija je bila globoko razdeljena. Medtem ko je zmerna frakcija pod vodstvom Nagyja podpirala reformistično smer, so stalinistični trdorokci pod vodstvom partijskega sekretarja Mátyása Rákosija nasprotovali spremembam, saj so se bali erozije partijske moči. Znotraj enega leta so notranje napetosti eskalirale, sovjetska podpora Nagyjevemu programu pa je slabela. Aprila 1955 je bil odstranjen z oblasti, njegove reforme pa so bile sistematično odpravljene. Rákosijev režim, se je vrnil k ortodoksnim politikam, ponovno vzpostavil centralizacijo in zatiral disdentstvo.

Madžarska izkušnja osvetljuje tako strukturne omejitve „nove smeri" kot specifične politične dinamike, ki so oblikovale njeno izvajanje. Čeprav so bili doseženi začetni napredki – zlasti pri izboljšanju razmer na podeželju in v obnovi družbenega zaupanja – se niso uspeli obdržati. Neuspeh Nagyjevega programa je imel dolgoročen posledice: javna pričakovanja po smiselnih spremembah so se obrnila v razočaranje, kar je prispevalo k eksplozivnim frustracijam, ki so privedle do revolucije leta 1956. „Nova smer" je na Madžarskem tako predstavljala več kot le začasno politično preusmeritev; označila je ključni trenutek, ki je razkril notranje protislovja sovjetskega socializma in zasadil semena širšega političnega razkola.

V celoti gledano „nova smer" v državah socialističnega bloka ni bila koherenten reformni načrt, temveč razdrobljen sklop ukrepov, ki so bili sprožen pod zunanjim pritiskom. Čeprav je program odražal zavedanje o sistemskih težavah v sovjetskem bloku, je bila njegova izvedba nekonsistentna. Madžarska izkušnja ponazarja, kako je lahko reformistični zagon za kratek čas zaživel tudi v togih enopartijskih sistemih, preden je bil zatrt zaradi ideološke ortodoksnosti in notranjih bojev za oblast. Neuspeh „nove smeri" v regiji – še posebej na Madžarskem – kaže na omejene zmožnosti z vrha vodenih reform v avtoritarnih socialističnih sistemih in na to, kako takšni poskusi pogosto nenamerno sprožijo globlje politične nemire, namesto da bi obnovili legitimnost ali stabilnost.