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THE KÁDÁR ERA

About the transition period between capitalism and socialism,
especially with regard to experiences of Hungary

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Contradictions of the transition period and the Kadar regime

Marxist were having the firm belief for decades – and they mostly have it even now – that taking means of production into state ownership ceases the class of bourgeoisie and exploitation, manpower will not be aware any more, and by this step socialism has come true (as in the Soviet Union) or it is going to come true (as in the countries of people's democracy). This school of thought quoted the world historically unexampled results of socialist development with rightful pride, but it didn't take account with the assault against the achievements and sheer existence of the revolutionary system coming not only from the capitalist surroundings and the inland bourgeois remains, but also – even more dangerously – *the newly arising bourgeois elements exploited and continually fed by the controversial economic structure of the system itself.*

What is this assault?

The socialist revolution, going to be organized as a state, inherits heavy ballast from capitalism and the year thousands of class societies: splitting physical and intellectual jobs, where division of labour fragments the society into privileged and submitted groups, divided hierarchically. On the upper stairs there are the owners of the means of production determining the image of the economy located, on the lower ones there are the people without properties; commanders' state is in the hands of the “uppers”, task of the “lowers” is performing and submission; share of the “uppers” is parasitism and amusement, the one of the “lowers” is excruciating work to support the parasites. Work is mainly a necessity for the masses; it is rare for them to find pleasure in it (by the religious folklore its origin is attached to the fall). *This* mental-mood conditioning is the heritage of socialist revolution from the labour-divided structure of class societies.

And this is far from the whole. Private ownership instigates people against one another, and the battle begins by the capitalism, where aggressiveness of the market rivalry, the toxin of the status of “man is a wolf for man” impregnates the whole society. The whole indeed: it infects even the class being the most disposed and most needy for solidarity: proletariat. Concurrence and traditional division of labour mostly gets the short-term, individual or grouped private interests into the foreground compared to the long-term, common ones; however the later is always present (generated necessarily by the social living style of people), socialist revolution can't liquidate the violent self-advocacy efforts of private interest at one blow. It can't magically carve predators (however civilised ones) into corporate human beings – or more simply to say: human beings.

In the first phase of its development the socialist revolution transforms the essential private properties of production and realization into common property. Through this historical change the added value produced by the workers is not the private profit of the capital any more, but it can be used immediately both for common aggregation and for fulfilling the most instant mass needs. Emancipation programme of the revolution establishes the basis of voluntary social cooperation: new forms of social collaboration appear, where the certain worker joins into the social total labour without pressure, and, as a “corporate entity”, handles the common property entrusted to her/him at least as carefully as her/his personal ones.

But for the present this is a rare exception only. Labour for the majority will continue to be not an inner need determined by disposition and abilities, nor the voice of conscience calling the individual to account for performing her/his social duties, but a rigid external pressure, the dictation of subsistence, operating in a specific shape. What is this “specific shape”? The peasant, working by means of production being personal property, is ready for plodding voluntarily day in day out, because she/he disposes of the whole amount of product (supposing that it won't be swallowed by taxes and redemptions). A worker under the domination of capital doesn't work voluntarily but performs similar effort (if having a job, which is being lucky enough to be eviscerated by the owners). Issue concerning the worker of the socialist sector is more difficult. In this sector it is the worker (as an element of the “total of people”) who owns the means of production by constitution right – but not the certain individual, but the collective worker, the *class* of workers, on behalf of whom the state wields. *Severed and conflicted relation between the individual and the society* makes this representation necessary. [Ending private ownership in itself doesn't convert work into a creative self-expression for everybody (or at least the majority) yet, and it doesn't transform the necessity of goods into a richness which could permanently substantiate the liquidation of rivalry.] However the revolutionary state does her best to deaden the inherited inequalities (raises workers into responsible positions, begins to manifold the productive forces

over in her head, looks after the higher education of young people of worker and peasant origin, deploys a cultural mass revolution etc.), inequality of jobs and rivalry pushing the weak into the background continue to exist; so consequently most of workers will continue *to front the society (as a medium being indifferent or even belligerent) as a private person of self-interest, and the general social interest becomes an autonomous establishment, a state*. Occupation of private persons is focused on their own small world and the task of organising and regulating the social life falls on the state.

There has to be, of course, some central organisation, to coordinate the activities of the people according to a plan, eliminating the crises, wars, terrible disasters of capitalism forever. But this organisation, theoretically, needs not to act as a state: it could be some form of *social self-administration* that will surely change the state in the course of time. But this issue has severe conditions. As long as the much of the worker's time and potency is swallowed by the straight production itself, as long as the whole society is not conglomerated into an *intellectual level organic community* by the high level automation and the series of scientific-technical and cultural revolutions, till then it is inevitable, that *the general-communal interests, separating as "state", an apart institution restrict the separate interests of the proper worker as a private person; and regulating key positions are filled by state trustees, who organise and supervise the labour; transmitting the compulsory will of the state (in ideal case: the appreciation of necessity according to the general-foreseeing interests of the proletariat) to the constitutional owner (the workers' class)*.

Let's suppose – however that would be a naive utopia in the case of the societies just emerging from capitalism – that this governing apparatus consists of the best, the most capable, altruist and committed communal beings: even in this case it can't be avoided that they have conflicts with their inferiors from time to time. Function of the state represented by the apparatus is, loyally to her emancipation programme, to do for gratification the growing material and cultural needs of the masses continually; it is the fulfilment of this programme that gives legitimacy (from economic, political, moral and legal viewpoints as well) to the state and also to the activities of her trustees. But continually growing gratification of needs can't be performed without manifolding the production power – and that requires *aggregation to exceed consumption, namely the more degree the harder the economical and international status of the revolutionary state is*. State urges (through her trustees) more and better job; however the worker, if focusing, as a private person, on her/his own small world, tries drop into the common pot the less and scoop out the most. She/he watches mostly just the content of the envelope of salary; without noticing (unless she/he gets some direct benefit from it) that a new machine factory, irrigation canal, hospital has been built, some place has been wired or provided with water supply – it doesn't behave her/him. It is the present what matters and not the future; herself/himself and her/his direct surrounding, not the misty common interest; the momentary appearance counts more than the essence in the background in the perspective of the far future. *This behaviour, inherited from the capitalism, but being constantly reproduced by the division of labour even after eliminating private property, separates the worker from the impersonal state and also from the apparatus personalising her; and pits the worker against her/his own state just as a property-less against a proprietor*.

The worker has disposal of her/his labour force, but she/he doesn't possess the *means of production* directly, as *individual*; the state has disposal on means of production but not on the worker as a person and nor her/his labour force. Issues of coherence have to be joined, in order to *be* production at all (so that the worker would not die of hunger and the mains of production would not rust). Since among the relations of mutual estrangement the worker is not willing to submit keenly her/his labour force to the state (the society), the state rents it – namely *buys* it for a proper duration and pays wage for its use. So now it is the state owned production unit, the company, that has (during the agreed period) disposal of the *usage value* of the labour force, the *work*; and the product of the work (including the goods of personal consumption) will be the property of the state, as the owner of the company; and if the worker needs these goods, *she/he has to buy them on the market*.

So we have to ask: is the labour force really free of signs of ware in this period of history?

Traditional Marxist approach professes that where there is the power of proletariat, the worker can't sell her/his labour force to the owner of the means of production taken into common ownership, because it is her/him this owner herself/himself. But the objective answer is actually as *controversial* as the relationship it applies to. *No*, labour force is really not aware, since the rightful owner of means of production is the worker herself/himself, even if not directly but transmitted through the state; she/he is the owner *so much, as much* she/he owns the state called for represent the totality of workers. On the other side: *yes*, labour force is a ware, it is sold and bought on the labour market, affected more or less by the rules of labour market. The production unit representing the state owner (the company) gives for its use usually money – a *general ware*, which can be exchanged for proper ware as consumption goods and services. In this context *wages represent, that – because of the existing division of labour – the worker can merge with the mains of production being her/his own property just through the state transmission; and the ware form of consumption goods and services somehow maps the ware signs of labour force, mirroring that technical and social inequality of jobs separates the worker from her/his own society, and that this alienation can't be abolished through mere legal formula*.

The fact that ware and money relationships endure after ending private property too, arises some theoretical questions on ware production in general and shaping the ownership in the societies of socialist trends.

Ware production means originally, that the different activities of the society, needing one another vice versa, can meet only through the market transmission, through the exchange of their products as issues of abstract work of equal

quantity, because their direct joining is obstructed by the private ownership of means of production. Between two yards of a factory there is a direct technical-production contact so there is no need for one of them to buy the production of the other one; but if two production units belong to different owners, they have to be in contact through the market. Otherness of owners can endure even when socialist development makes an end of private property: some of production units belong to the state, others belong to groups united into cooperatives. Traditional Marxist theory explains by the duplex status of state and group ownership that products – or rather: activities – are transmitted by the market even when private ownership of means of production is already the past. Is this explanation correct? It is, without doubt. But it doesn't make it reasonable why the worker has to buy the manufactured goods for money, however the manufacturing unit is constitutionally her/his property and maybe it was just her/him who had been working on the product that she/he has to pay for. Isn't it a situation as if she/he bought something from herself/himself? It is clear, of course, that the factory is a collective property, belonging to “the whole population” and not the certain worker; but why “the whole population” couldn't give *directly* her/him the *objectified labour*; that she/he had handed to “the whole population” in the form of *living labour* before?

As a matter of fact, we have given the answer already; now we just should like to stress that, for the whole explanation, the concept of *proprietary separation* has to be supplemented with a wider one, the concept of *economical separation*.

Economical separation is a production relationship, where the voluntary economic cooperation of people has split or it doesn't materialize untarnished: the social all-activity can't – yet or already – work as a harmonised, organic whole. Nothing can better expose this symptom better than it's opposite, the voluntary social cooperation appearing in several historical versions. Let's see e.g. the primeval communities. Their way of living shows up from its archaeological and ethnic reconstruction: for each adult who had any working capacity it was matter-of-course, some instinctive way of activity, to take part in the common work voluntarily with full effort; this was the condition of the subsistence of the community, and to belong to the community – or rather the existence fused with the community – was the most essential requirement for everybody, for each member of the community. The tight organizational unity, forced by the scarcity of the goods being necessary for the subsistence (namely the low efficiency of human energies) was disintegrated by the growing efficiency itself, when it made possible the amount of products that can be produced to increase the needs of the certain person: now it was already worthy to have a slave who could supply the master and, more or less, herself/himself too.

Through the present-days scientific and technical advance (the social perspectives of which can be picked out the course and rules of economic history) it has become theoretically not only possible but an absolute necessity from the viewpoint of the subsistence of mankind, that the opposite of the outlined process has to come off: the disorganised individuals have to re-unite into an organic community. That would be communism, but not on the basis of scarcity but of abundance. Voluntary cooperation twists either to scarcity or to abundance – and that indicates that none of these antagonistic symptoms explains *alone* this cooperation. Basic factor is in this regard: *historical state of division of labour*: Ancient communistic communities had been *disintegrated* by the inequalities coming with the division of labour; communism of plenty of goods rests on *ending* inequalities. In the ancient form of communism *there wasn't yet* a division of labour, in its modern form *there won't be already* any.

In the communistic societies certain people have no separate interests diverging from the community interests, just as the heart and liver has no other “interest” differing from the one of the whole organisation. We can't even speak in this context about interests, about acts according to the interests by the routine meaning of the words: everybody does her/his job for the benefit of the community – with the artlessness of breathing. (Breathing is not my “interest” but my natural function of life.) But after the community had been disintegrated into antagonistic classes, and economic units started to belong to separated owners, relationship of its members was impregnated by distrust, suspicion and enmity. These disunions are essentially *the products of diversion of labour and private property*; and if they don't disappear even *after* ending the private property, this comes on the ground that diversion of labour couples not certainly with private property (however it runs in this direction by its “instincts”), but it *definitely goes hand in hand with economical separation*; private property is just one of its versions (however the most important, the most polarized one).

Historical zenith of separation is the capitalist formation: centrifuge of cut-throat competition spins here at the highest rev, pitting people (being technically more and more dependent on one another) against one another, and dispersing and extremely disfiguring them. Most of them are attached for the whole of their life to some sub-activity being chosen not by themselves according to their skills and talent, but it was assigned to them by the market at random: their atomic entity is a decomposition product, but not a component part of a greater whole. “All people are strange, faraway planets” - wrote Attila Jozsef¹ at the age of 18. In this desert *the private person with her/his own interests and the society slashed into shreds by the antagonistic interests are complementaries and reflections of each other – or rather they both are the same, just the first signifies the absurdity of the social relations from the discrete side, and the other does the same in the regard of the whole*.

As a matter of fact this is the root of subsistence of merchandise and money relations after ending the private property. To change the ownership by upstroke: this is possible; but the society disjointed by the division of labour can't

1 Attila József (1905-1937) was one of the most important and well-known Hungarian poets of the 20th century.

be soldered into a community by the same way. The majority: private persons with their self-interests would carry away the public property and force the weak to work for them, if it were up to them; maybe they would murder in cold blood the others acting the alike. In this medium being disposed to liquidate itself it is the state that (as the institution of the general social interests) has to assure the conditions of reproduction, leading to work the ones who have the capacity to, and coordinating the whole of the activities.

Concerning leading to work: no power can spare the method used by the capital against the ones without property: they can't obtain consumption goods without working for the owner. But a socialist state differs from a capitalist owner radically (it is not some "state capitalism"): it expends the increment of labour (instead of private goals) for preparing a society which transforms gradually itself into a community, transforms labour from a forced activity into life's prime want, and is able to fulfil all reasonable needs of all of its members. Key task is: to manifold work efficiency: there has to be revolutionised, in an interaction with the mains of production, *mind and relations of people*, so that they participate in the social labour process by their best capabilities, as if they worked directly for themselves (as the peasant works on her/his own land). It is a question how the members of the society can be convinced that *it is their interest* to work carefully and conscientiously, however the direct result of their efforts will belong to the state, it's not them who will possess it personally; and on the proper development level of mains of production *concurrency* fomented by division of labour opposes their direct private interests to the long term community interests inevitably. *Can the two-natured interests be interconnected, if it is the economical texture itself that steadily reproduces the evoking reasons of their conflict?*

It seems to be the only method of solution to validate the *distribution according to labour*, and manufacturers share in the common basis destined to consumption according to the quantity and quality of the work they performed for the society – that is, after subtracting the common expenses, they all get back from the society the amount of objectified labour (in the form of consumption goods) that equals to the amount of living labour they had given to the society. The thing is not, of course, that lazy and heavy-handed people, who work slower, would gain pretence for more consumption goods than their more expert and diligent mates: it is the amount of *socially necessary* work performed that counts in the barter.

So the manufacturer has to provide work for the consumption goods, the state has to provide consumption goods for the work. If the manufacturer wants to consume more, she/he has to produce more; if the state wants better and more efficient work, it has to reward the manufacturer by a bigger amount of consumption goods. Otherwise, after the revolutionary power abolished the harshest forcing methods of the capital, why the majority of the society, assembled from private persons, would push itself for producing goods which *it has no direct disposal of*? In this barter business state recompenses the socially necessary game time performed by the manufacturers mostly not by real value but by *general ware – money* that allows the manufacturers to buy what is not beyond them, by their choice. (They are mostly just the products of factories for means of productions that are handed out as real values by the state, among its own companies.)

The two exchanging partners – manufacturer and the state – have the same *objective long term interest: corporate society*, or, with Marx's words, "the empire of freedom". But if manufacturer is *a private person with self-interests*, then perspective is hidden for her/him by the direct daily precepts and interests. My children have to be fed now; why should I be interested in the situation two centuries after? Why should I take troubles at the engine, while *they* in the office are just having their coffee, doing nothing? The private individual with self-interests wants the most of past work (to name it simpler: money) for the less living labour; but the state representing the general long-term interests wants work according to the capabilities for a proportional allowance permitted by the resources.

Because of the economical separation of private persons with self-interests and the state acting in the name of the whole society distribution according to labour is obstructed by several counter-interests on the part of the worker and the company too. If, for example, the worker works in a performance pay system, her/his higher performance generates the risk that sooner or later her/his norm will be raised – and then the new norm will be generalized for the other workers too; hence it is common that workers look askance at their mate working more efficiently than the average or even ostracize her/him as norm-destroyer. So it can seem to be more advantageous to hold performance in, than to increase it; and *a higher interest can attach to working under one's capabilities than to working according to one's capabilities*. Capital has its harsh methods to screw out from employees everything possible; worker at a company with socialist direction, *if she/he behaves as a private person with self-interest*, can often find the gaps of organisation and supervision relatively easier, to suppress her/his capabilities. This can be applied to the companies too. Inner contradiction of their situation comes partly from their duty to achieve the goals and fulfil the interests of their owner, the state; on the other hand the leaders are the members and products of the same maladjusted society as everybody else, and they are not under cover against the infection of private interest even if their origin attaches them to the proletariat. Activity of the companies is set by the state based on the information coming from the company leaders; and the leaders get part of their income according to the accomplishment of the plan. If they behave as separated private persons, they will be interested in bargaining compulsory plan data down. Suppressed working capabilities on the part of the worker, suppressed production capabilities on the part of the company – this is the direction where separated private interest and fitting public morale drives. In this situation it is of course hard to measure genuinely how much the socially needed

general working time is for a proper product, that the distribution according to labour must (should) act on; wastage will be propagated, and there luxuriate the economical and moral viruses disorganizing the society.

Let's compare this status to the Marx model of socialism (lower level of communism). There is no more economical separation; manufacturers are not private persons with self-interest but organic parts, some natural ingredients of their community, who submit their working labour for the society voluntarily, without any economic or other pressure. Voluntary working links to distribution according to labour: the two factors that could former effect just as tendencies, now – intensifying each other – solder the society into an organic whole, where the welfare of the certain individual depends directly on the efficiency of the joint labour of the whole community. In this voluntary order it is the objective interest of everybody to perform according to her/his capacity, facilitating the continuous exploration and utilization of the (hidden but not suppressed) production potential of the whole society.

By the Marx model there will be only the mains of production of the upper level of communism developed enough to let all members of the society to share in produced goods according to her/his needs. On the lower level (in the socialism) this isn't possible yet: extent of sharing is determined by the amount of socially necessary labour done for the society. This is what the manufacturer has to barter with the same amount of labour, being objectified in consumption goods. So exchange of similar amounts of labour – “birthmark” reminding the law of value, as Marx says – still exists but relations have changed: personal share in the whole social product is transmitted not by the exchange between separated private persons and the state (between “personal owners” of labour and public owner of mains of production) as it was former, but by organizing the social labour of that kind where the individual *is, from the onset, a part-owner of the whole social production and, during the exchange, there is no change in the ownership.*

Difference is far from being only verbal. Socially necessary working time, that was earlier bemused and garbled by insufficiency of information, becomes accessible for the empirical survey by *transparency of communal relationships* in the socialism. Exchange of living labour and objectified one can be regulated by *conscious and direct* reviewing of socially necessary labour time inputs *without a transmission by the market.* Ware and money relations, loaded with uncontrollable phases, disappear; idea of value passes away peacefully; distribution according to labour and planned economy can evolve, none of them is crossed by separation neither of private people, nor by retaken efficiency or secretion of capacities any more. Engels projects this metamorphosis in an interesting, colourful description:

“In the moment when the society puts itself into the possession of mains of production and uses them for production in direct socialization, work of anybody, however different it is according to its specific character of usefulness, becomes from the onset directly social labour. There is then no need to diagnose the amount of social labour residing in a certain product in a roundabout way (by the transmission of the market – *E.R.*); the everyday experience will show the time generally needed. Society can calculate easily how many working hours reside in a steam-engine, in a given quantity of the corn of the latest year, in a hundred square meters of the baize of a certain quality. It doesn't come in its mind either to express the amount of labour objectified in the product (known already directly and in an absolute manner) in a relative, wobbling, insufficient, however earlier – for want of better – unavoidable measure by a third product (money – *E.R.*) instead of a natural, adequate, absolute scale, *time...* So the society, among the preconditions above, doesn't assign a value to the products either. The simple fact, that producing a hundred square meters of baize demands one thousand working hours, won't expressed by the squint and senseless manner as the “value” of the baize equals to one thousand working hours. Anyhow, society has to know even then how much working time is needed for producing a certain object for use. Production plan will be determined ... as a matter of fact, the benefit effects of the different objects for use”, after the society had pondered these effects by their importance and by the amount of labour needed for their reproduction. (F. Engels: Herr Eugen Dühring's Revolution in Science, 3rd section IV.)

Summarizing the essence: in the societies of socialist direction, where private property has been ended, it is mainly the economic separation responsible for subsistence of ware and money relations; it is the same that appears in the separation of common property and group property too, and it reproduces its grounds (inequalities in division of labour) constantly. It is a question how this could be abolished. Sorry to say, for the present we have come upon a poorly calming contradiction only, instead of the answer: for abolishing the separation it is the distribution according to labour that has to be realised; and distribution according to labour can't be realised permanently and universally until there exist the economic separation.

It is, eventually, the paradox status of the worker class of the socialist orientated systems that is expressed in this circle. The class takes the political power, then it expropriates the tools of the industrial production and the commerce, and by that it makes a great step toward the society of socialism (society of voluntary cooperation and distribution according to labour) – but it will continue to remain *the one who performs the production directly*; that is *it constitutes the top and the bottom, highest point and lowest level of the social pyramid.* Asymmetric status of the class and the dangers coming from that is written down by Gramsci² as: “There happened never in the history, that some ruling class would stand on a lower life standard in its whole than some elements and groups of the overcame and submitted class. History has kept up this unique contradiction for the proletariat... And proletariat can't become a ruling class without

2 Antonio Gramsci (1891 –1937) was an Italian writer, politician, political philosopher, and linguist. He was a founding member and onetime leader of the Communist Party of Italy. Gramsci was one of the most important Marxist thinkers in the 20th century

solving ... this contradiction; it can't fulfil its ruling role ... without sacrificing its direct interests for the general and stable class interests."

The dual situation instigates a conflict *between the objective interests and subjective sense of interest (the real and projected form of the relation to its own state)* of the proletariat. The state power, carrying the general, long-term interests is the token of arising the class; but arise is, by its nature, slow, uneven, sometimes it is dropping back, and it isn't always felt in the everyday of the commoners of the class. But the certain worker is directly present in the system of division of labour, she/he participates in it day by day, and she/he meets the state in this medium, being tangible for her/him through the bargained wages, the activities of the local leaders, the price-tags in the shops, the general stages and events of public life. *However being the owner of state power as a member of the social community, she/he hardly or never participates in exercising this power and – being pushed to the low level of hereditary division of labour – she/he meets her/his own state mostly just as dependent, passive effectuating one, facing fait accompli.* Real governing, *de facto* disposal on mains of production, decisions on the content and scale of production and distribution happens on higher levels. This staged structure reserves and reproduces the ware and money relations together with concurrency being inseparable from them, the dual target of which is: *money – pretence for taking possession of consumption goods – and the possible most favourable competitive position on the field of the real, unequal mandate on production and distribution.*

Two contradictory development tendencies are conflicting: while the revolutionary power aims (in terms of its emancipation programme) to progress the society by degrees towards the corporal relationships, concurrency induced by the structure characterised by the division of labour disorganizes the corporate germs incessantly, and when it is unopposed, it bends history back into the direction of restoration. Partly it is the advancement itself that allures to turn back and go reverse. Namely, the revolutionary power when tries to improve the everyday life of the masses, *narrows and broadens the scope of law of value (the market) at the same time.* Narrows it, because the revolutionary state takes out of circulation not only the majority of mains of production but also more and more consumption goods as well (enters toll-free medical attendance, gives thing for babies cheap or free of charge, supports the expenses of child-care, education, arts, publishing books etc.); but also broadens it – as a result of socialist development – in the extent of growing the production of light industry, the market of public services, and especially the agricultural commodity which begins to grow after a while, having organised the large socialist co-op plants.

Concurrency revives as the offer of goods is widening. While there is a necessity, the battle goes for the essential living conditions, later for the more and even more; if restraint of ruinous instinct of concurrency doesn't go well, then the majority of goods will enlarge social inequality and antagonism instead of general plenty. In the process of rivalry the upper levels of division of labour have the goods on the lower levels, the ones having *de facto* disposal of mains of production have the goods on those who have nominal disposal only, and they can try to change their point of vantage into material benefits. First it can be perhaps bagatelle: I'm going to build a small cottage, I need a roll of wire, a knee for the heating system: there is something of the kind in the factory: if I bring it home, nobody will miss it. But as this behaviour will be habitual in a wider circle, inequalities for the benefit of the upper levels will grow accelerating; there heightens the distrust of "lowers" against the "uppers", against the occupants of commanders' positions and the state represented by them. Since it is the state the owner of public property, relation to it is identical to the relation to public property, and public property begins slowly to come down into a common prey.

Reproducing (and what is more: widening) concurrency relations are favourable for the objective opportunities and subjective dispositions of expropriating the surplus value. This special expropriation is based not on the private ownership of mains of production but on the place of individuals in the social division of labour and in the power structure, and it materializes through the channels of redistribution, sometimes illegally (corruption, theft), sometimes legally (interlocking, lobbies, allowances and privileges allocated "by face"). Maybe it is minor considering its value – essence is that it matches earning gaining without work against the unpaid work of somebody else, and if it infiltrates in the all-day occurrence as a routine phenomenon, than it grows unnoticed onto a gross degree and it mills the proletariat character of the state apart.

So in this period – *between ending private property and full breakdown of division of labour hereditary from the class societies* – restoration threatens from several directions: on the one hand the remainders of the old bourgeoisie and their foreigner supporters aspire it consciously, on the other hand development is shepherded (mostly not knowingly, but much more dangerously in perspective) by *the freshly occurring members of the new bourgeoisie (or "pre-bourgeoisie", or simply "socialist philistines"), who are exploited from the upper groups of the workers and peasantry being the political basis of the power, by the economic structure of the socialist meaning system itself.* *This period of multiple contradictions is usually mistakenly called "socialism"; actually it is not capitalism already but it is not socialism either, but it is a double chance transition between those, which can advance towards socialism, but maybe it turns back towards capitalism, depending on which of the two opposite tendencies supplants the other.*

Which then? The question *isn't determined from the onset.* Socialist direction is supported by the fact that revolution frees huge popular energies by changing property relationships, and it creates the prerequisites of using means by a focusing, methodical manner; it is this opportunity that manifested itself in the unexampled momentum and historical achievements of the foregoing transitional formations. Capitalist direction – the logic of law of value – is supported (besides its inland devotees and the belligerent external surroundings) by the fact that the ware features of labour, the

ware and money relations coming from the economic separation, the possibilities of hidden exploitation are reproduced under the inequalities in the division of labour. But the question whether which of the two opportunities would over the other one, is not a logical question but a completely *practical* one, a function of the class struggle of ***the revolutionary and bourgeois-restoration forces***. This *undetermined, alternative* possibility of development can be described from political angle as *lability of the workers' power*. Any other types of political power can be considered as stable in the very moment when it has worked up its state machine and the power and administration organisations being able to defend the inner order; but this is not enough to solidify workers power, there is a – vital! - necessity of a *mass movement* which picks the fight efficiently *for the reasonable, economic logistic, against the earnings and privileges gained without work (or based on expropriating of the work of others), rolls lobbies and mafia, bureaucratism, old and newly germinating phenomena of bourgeois moral and way of thinking back, supervises managing of social issues and the trading and medical attendance of the living quarters etc.* – shortly – *it experiments and realizes the socialist form of democracy. It belongs to the substances of civil democracies the nature of being formal; if socialist democracy becomes formal, if masses can't check in their everyday observations that power is really theirs, then they won't have a sense of community and public ownership, and workers power will be crushed gradually.*

Evolution of the sense of public ownership is not simply a super structural change but it is a *novel production relationship, manufacturers' new relation to one another and to their mains of production*. Social sense of former formations was only reflecting to and guarding or attacking proper production relations; fanatic religious conviction of English puritans, French civilian revolutionists' hearty belief in the triple of freedom-equality-brotherhood, all the anti-feudal ideological arsenal of bourgeoisie were indispensable for the bourgeoisie to come into power, but it didn't determine *the economic basis* of the bourgeois structure, the relation between the capital and lease work either. On the other hand: economic basis of socialism *can't even come true without the common owners' sense of the masses, which would turn into a material force in several forms of democratic supervision; if there isn't a sense like that, common property alters sooner or later into the property of nobody*. So in the transient period, eventually, *character of property – and consequently character of workers power resting on it, and also the alternative direction of the social development – depends on how the masses chose between corporate and private behaviour: that is their decisions of sense*. Consequence offers itself evidently: if there can't exist socialist property without socialist sense, then a *society where the sense of the great majority of people hasn't got to the socialist level yet, can't be labelled as socialist*.

Democratic self-motivated activities, especially supervising the fields where the occupants of more or less key positions use their vantage-points for having private advantages, evoke the opposition of the "aggrieved party". Experience proves unambiguously that this opposition can't be broken without a forceful support of the upper power levels; abandoned local instinctive initiations can hardly expect anything good: they won't be long-lived if they can come into existence either. On the other hand, if the new type, democratic mass supervision of social life hasn't developed, then all the apparatus becomes bureaucrat, rigid caste, and they begin to handle the common property being entrusted to them as their own feudal tenure, alienating from the revolution its real and potential mass base. The new type democracy can't do without a purposeful organising centre harmonising and regulating the activities of people against the bourgeois elements being reproduced; and the centralised power can't come through with impunity if the mass of people turns away from the common issues, experiencing that vainly they remark anything, it remains as it was, or even them who lose. (Not but that the staffs of the so called „existing socialism” were aware of the necessity of mass supervision. There was no lack of appeals urging the local democracy at factories, encouraging brave exposure of thwarting, and promising protection in the case of sanctions. But words can't replace the systematic, organised *class struggle* against the "socialist petty bourgeoisie", and mostly the ones who complied these calls, came off badly.)

In the long run, *property is as unstable in that period as its political warranty, the workers power; its socialist character and the socialist direction of development can be warranted only by the tight combination of self-motivated mass democracy and state centralism*, and if joining this two comes to naught, they both will be a water drop each, going to be absorbed by the sand.

Except of the transition there is no other era in the history, the character and the direction of development of which would depend even approximately so much *on the widest democracy and strong central power being mutually supposed, and on the political practice of the people and the governing centre*. Politics gets a new role which is *qualitatively different from the one it holds in the civilian societies*. Regarding the latter, Marx speaks about "the cloud regions of politics": cabinets come and go, parties rotate, but the economic ground, the dominant relationship of properties, the existing social-economical formation doesn't alter in essence. But in the society of transition *it is politics to whom the task falls to roll bourgeois elements back through the class struggle of people, an so to create the suitable medium for evolving the sense of corporal owner, without which neither the socialist character of property, nor socialist development direction of the system can't come to realization*. So economic face of the transient society is determined by a political process, *class struggle of the masses*, and politics, being "cloud region" in a capitalist formation, here coalesces *to the economic ground as its integral part*. More accurately this means that the controversial *economic structure*, as *alternative possibility* of socialist and capitalist development, sets the *objective margins* of politics; but then *not the economy but politics – subjective class activity – decides* which of the two possible development directions will materialize. Politics, in this regard, determines economy and becomes primary, however it can move just in the field set by the economy, inside the double possibility offered by the economy, namely it is subsidiary compared to the

economy. In this complex interaction, reversing the sides and functions relating dialectically can be pregnant of heavy consequences. If leaders don't recognize that *eventually* it is the economy (*the objective side*) *the primary element*, than voluntarism can overcome; if they turn a blind eye to that *inside* the possibilities presented by economy it is politics (*subjective side*) the primary element, that is *only politics may make the decision on the socialist or restoration direction of development*, then *bourgeois tendencies, getting out of control, ruin the revolution on the inside*.

New role of politics can be explained just by the fact that the economic nature of the transient era depends directly on the *political* mass movements against the restoring bourgeois tendencies. But whom is the mass movement organised by? Initiations of the "lowers" fall if they don't meet the accordance and active support of the "uppers". But why would the "uppers" (leaders and paid apparatuses) support or even organise people to exercise their democratic rights themselves? They – at least: some of them – are shepherded by the separated private and group interest rather *not* to allow to supervise themselves, to throw fortuitous criticism back and to revenge it. We have got involved in a false circle again: mass supervision of leaders has to be organised by the leaders themselves, however this is in a contradiction to their direct interests. Couldn't workers organisations – trade unions and the *revolutionary advance party* – break the false circle? Can't they monitor offices and officials narrowly when they forget themselves? Of course they can – as long as even the trade union and the party haven't been infected by bureaucratism, private egoism, negligence and arrogance, and the toxic philistine spirit. And why wouldn't they be infected? Trade union and party are living in the same world, their members and leaders are breathing the rotten air of the same division of labour, as anybody else. Is there any out breaking possibility? Before we should try to answer this question, let us think over: what happens if the ones who are committed to socialist development *don't find* the point of outbreak. Sorry to say, it isn't difficult: it's enough to recall our personal experiences on the fall of the systems of socialist direction.

Contradictions leading to the fall were polarized by the socialist oriented development itself. As production and employment was growing, previous methods of growth became more and more inappropriate: store of labour became exhausted; further accumulation could be covered less and less from any other source but *systematic raise of productivity*. Determining tool for bigger productivity is scientific and technical expansion; a socialist country has to put up its expenses from its resources, it mustn't resort to colonialism, robbing other nations. It has to spare and to incline the actors of economy to organise work more tightly and to be more self-supporting and initiative – freeing the reserves in local knowledge, creativity and inventiveness of people. But in reality, approaching full employment, disciplinarian power of the old division of labour happened to decrease before the new, voluntary discipline could evolve. Demand on the labour market came up with the offer and passed it; bargain position of workers escalated, and efficacy declined dangerously in quantity and quality too, just when there would have been the greater need of the opposite process. Growth slowed, stopped, began to skid. Pressure was growing (not only on the part of the workers but also on the part of company leaders being beset by the lack of labour and declining results of production) to speed up the rise of wages, aligned to the growing demand of labour instead of performance. Central apparatus, whose "ex officio" job would have been to validate the more general interest of people's economy, were getting away from the realities of the fields belonging to them, because of two reasons: they got less and less objective information, and they were caught by the fever of maroon-roasting. Leaders and performers were breaking away from each other mutually, before they could really join their forces; the orchestra was playing something different from the piece that the conductor guessed to conduct; moreover its members were playing sometimes separately what they were feeling like doing. Disturbances of efficiency and balance drifted the transient economy (declared to be socialist and free of crisis) finally into a crisis.

Main reason of a crisis is the same in capitalist and transient periods: *they use more social labour than it is necessary*. Story is about *efficiency* in both formations. But the process of events is not identical. In the traditional and cyclic crisis of the capital wages and prices collapse, offer permanently exceeds the demands on the labour market and on all other markets too; in the crisis of transition – according to the experiences until now – wages compared to efficiency are high and they raise a demand being higher than it can be covered by the commodity produced with sinking efficiency. There is an "*over-production*" there: there is "too much" of goods and "too few" of money; and there is an "*under-production*" here: "too much" money compared to deficient commodity. Capitalism solves the problem of efficiency by its routine brutality, divesting millions of their living conditions; transitional system mustn't brush the social problems – sometimes heavy, aching and difficult ones –, coming with modernization, aside. If you like: its humanity cramping it in the process of solving the crisis. (And – not least – fear of the leaders that they could lose their legitimacy.) But if the solution falls, if safety-valves of capitalism don't work already and defender mechanisms of socialism don't work yet, then the troubles becoming imprinted as chronic ones push the clock of the social bomb with a fatal certainty.

Apace spreading disturbances of the economy flash some essential problems of the social structure and economic management, which were formerly misinterpreted or left out of consideration by the politics and the theory as well, because of the confusion between the transient formation and socialism. As it was written by a well-known Hungarian sociologist: in spite of the multiple division of the interest-relations in that era, majority of the economic management was insisting on the "simplified socialism-model", and they ascribed all digressions from the uniform interest of the whole society on ignorance or malignity; and they imagined themselves to represent "higher goals and interests" against "the lower particularism of those who are regulated". (Lajos Héthy: Economic management and stake, Budapest, 1983.) Although the money-oriented approach of the workers and the social majority was not simply a remains of the

past, and not even a moral deviance from the ruling (?) socialist relations (?), but a natural consequence of the ware and money relations – functioning of the *law of value*, which can be left out of consideration or treated as marginal, but can't be come around, skipped over, and can't be ceased before the proper conditions arise – maintained by the division of labour. It is not the question whether there is a need of the law of value in the transient period (if you throw it out through the door, it comes back through the window), but whether there is any method to make this law (the market) to help the socialist development.

The Soviet Union made an experiment for that in the early stage of its history: in 1921 the "new economic policy" was introduced, giving again some field (until a given measure) to ware and money connections after the restrictions of "war communism" (which was used by necessity, but supported by false arguments too), to restore the trade (having broken because of the civil war) between town and village, socialist sector and private one. The "new economic policy" (NEP by its Russian abbreviation) is "new" not only because it was a radical turn compared to the former, wartime economic policy, but also in that more general meaning, that former Marxist theory didn't know this policy, because it couldn't know the proper historical conditions of the transient era. It was Lenin, who drew the necessary theoretical and practical conclusions from the hard experiences of Soviet Russia of interventions and civil wars, and especially from the objective class movements flashed by the Kronstadt sailors' rebellion, knowing exactly, that freeing the law of value is as risky as inevitable.

NEP is a sword having cutting edges on both sides: partly it legalizes the spirit of bourgeois egoism and concurrency, and it can support the socialist development only in the case if *the law of value is strictly supervised, coerced by the proletarian state which merges its use as a motive power with the consequent mass struggle against the parasite beneficiaries of the market relations. This controversial whole – freedom for the law of value by a proper degree and systematic supervision of its limitations – was present in Lenin's approach stressfully, but it missed from the Soviet reforms after 1953, and from the profit-oriented practice of the "new economic mechanism" in Hungary.* Lenin considered the NEP, the bigger freedom of the market as a necessary withdrawal, recess towards capitalism, but, at the same time, as preparation for moving forward the market-less socialist relations; on the other hand in Hungary, just as in the Soviet, Czechoslovak and other "reform"-ideologies, market was advertised as the elixir of socialism, and the so called "socialist commodity" was considered to be "congenitally" crisis-free. Whether this illusions were scattered in all good faith or aiming knowingly (however at first cloaked) the restoration: it is all the same, regarding the result; anyway, the ones who objected these illusions were called cussed "dogmatic", or they were penalized even more hard. Essence is, that *reforms aiming the more unbounded functioning of the law of value, being made really necessary by the economic structure of the transient era, did not join to the supervision of the incomes, the economy and the social life, leaning on the increased activity of people; and so socialist direction is only mockery and verbiage; not a preparation for the subsequent advance, but capitulation in front of the bourgeois aspirations having expanded from instinctive to conscious level.* It was this capitulation line of sight that became the ruling trend of the labour movement after 1956, from Khrushchev's memorable "secret speech". Wasn't there any other way? But there was some: it could have been imagined theoretically, that revolution, with resolute, committed leaders, mobilizes the conscious squadrons of people (there were such leaders and people everywhere, even if underplayed), and, leaning on them, restores the discipline at the workplaces, cuts workless incomes away, and, with a strong hand, establishes the conditions of solving the efficiency problems. This would have been a risky way, of course, provoking the opposition both of the privileged castes and the backward workers groups immediately; and power relations weren't favourable to the revolution. Occupants of key positions were mostly contra interested in the supervision of their activity by the people; any – public or "exclusive" – personal opinion they had on democracy and on the democratic method of exercise of power, actually they frustrated democracy, what is – by Kautsky's exact words – nothing else but "domination of the mass on their deputies". Masses and their deputies happened to get far from each other: their splitting manifested in the bald fact of the crisis (planned economy without the movement of people frosts sooner or later), and *it restricted from the onset the tools of solutions that could be taken into account to the instinctive mechanisms of the law of value; democratic mobilization of people was excluded from the range of vision.* The need, that law of value has to get more freedom for restarting growth, was there expressed in this standpoint – but it was expressed by a perverse way, because, without a permanent democratic supervision of people, instinctive mechanisms *go against the plan*, and mutual pending of the market and the plan, which is indispensable for the development in the transitional era, *is contorted to an "either-or" relation excluding each other: to a false alternative.* The two elements – the plan and the market – doesn't *complement* each other but *pills* each other; they are squirming linked artificially, paralysed in the hole, described at that time by Hungarian economists as: "neither plan, nor market".

We should like to picture by some Hungarian examples, towards what direction the economic policy was shepherded by the "reformers" – in the analysed period: "socialist petty bourgeoisie" and economists of the conscious restoration – and where their road was leading.

The 1968 reform in Hungary made profit (as the most "synthetic" indicator) the main criteria of the efficiency of companies, and it felt to find the market competition to be the key for solving the thrift problems. In terms of this approach companies increased the prices without improving the quality and variety; their cooperation, which was clogging before, too, now split up, so they had too accumulate stock of materials, and several times they had to buy home-made goods from abroad (on a high price, for convertible currency) because the domestic manufacturer had

exported it, preferring the higher profit to its cooperation duties. Shortage of labour, need for new processing capacity, innovation appetite speeding up inflation pressure were growing; credit demands multiplied quickly and they were ranked by the banks by the criterion being the most plausible for them: "credit standing" of the company, what rarely mirrors the whole economy or sector interests. More up to date companies happened to get at a disadvantage compared to the undeveloped ones, partly because of their lower profit rates coming from the higher organic content, and partly because wages were better at the workplaces being technically undeveloped. Work discipline loosened generally, not only in the factories but also in research institutes, frittering their means away, subordinating their research to the market demand. Technological gap between home country and the developed industrial countries was dilating, and the isolated, more and more rivalling companies were not able to fulfil the objective demands of the modern technical development. (Cf. Ferenc Biró: Some actual questions on managing the companies of machine industry in the socialist countries, Budapest, 1975. script) And this was, as the phrase goes, just the tip of the iceberg.

In the absence of adequate against-power the market begins proliferating – this is its nature –, it attacks plan economy, devastates the tender shoots of fellowships. Separation by private interests revives; wages run up at declining performance, consumption passes the decreasing accumulation. Face of the system becomes more and more the one of a special *state capitalism*. Relating to societies of socialist orientation, concept of "state capitalism" signs generally the mixed property relations: concession to the foreign capital, private capitalist renting of state factories etc.; but in the connection we study it labels – as we have mentioned former – those hidden, "socialist" forms of exploitation, that *use the real disposal of common property (and not the private ownership of mains of production) for getting workless income and privileges*. This is scattered at the beginning of the socialist transition yet, usually it has no considerable increment, and it doesn't change the economic structure of the period into "state capitalist"; but if it becomes a usual transmitter of the private appropriation of the common property, the others' work, if it becomes the source of surplus incomes for whole social groups enjoyed as good as a due, than the name "state capitalism" is rightful already – because it refers in the certain case *to the advancement of organization of bourgeois elements into a class, and the state is put (almost unnoticed) to the cart of "socialist" surplus value appropriation*.

After the 20th congress of the Communist Party of the Soviet Union state capitalist features of the transient era intensified in most of the countries said as socialist ones, depending on how much the given country was damaged by the ruinous emission of the Khrushchev policy. Hungary is a typical example, where it manifested by a concentrated and expressive manner, how the restoration elements accumulate in the social structure. From the deep crisis, that had reached its peak by the explosion in 1956, there was just one way to get out permanently: by broad solving of the efficiency problem; this would have assumed that people take part in public life actively, chiefly in continuous democratic supervision on leaders. But people were generally belligerent or at least distrustful and negative against the power straight after 1956, and the Kadar administration, that the task of consolidation was fallen on, knew, that they couldn't make even a single step before achieving some agreement, *consensus* with the mass of people. Material life circumstances of the population had to be improved sensibly – this was primary, and there was a possibility for that offered by the considerable ware and money grants arriving mostly from the friendly countries, and later the foreign credits. As life circumstances became better, the open belligerency of the public opinion became political ignorance rather quickly, voices of opposition calmed. As a matter of fact, the desired conflict-free state seemed to come into existence between the counter-tuned social groups – actually not in terms of real accordance but of mutual misrepresentation or rather of "to live and to let live", thanks to the purchased passivity of the masses being busy in the hutch of private life. The government had no extra requirements (however, in sober senses, solving the problem of efficiency couldn't even be hoped without eliminating the looseness at the workplaces), and people, being let slide, didn't interfere with public affairs: they let the government alone. None of them offended the other. There was silence on the surface, undisturbed and rotting – sleepy calm of a fusty plash. Our home country deserved from the West the ornamental attribute "the happiest shed of the socialist camp".

In these relatively sedate years the leading elite mixed the equanimity of people with supporting the regime actively ("those who aren't against us, they are with us"); and actually Kadar, with his puritanical, "near to the people" personality, could really count on the sympathy of the workers enjoying a relative financial safety, and what is more, he could mostly count on the support of Marxists as well – who were though oppositional of the purchased "consensus" and any kind of opportunism, even so they aligned to the politics of the government, and namely not only because of the innervated party discipline but chiefly because the government defended the public property (which was the earnest of the socialist development and source of state capitalist privileges at the same time) from the restoration attacks. This support provided by the Marxists is even more considerable because supporters *sentenced* the ones they supported because of the *centrist* allowances for the right, and the supported side named their supporters "leftist dogmatic", and pushed them in the same box with "Stalinists", pushing them out of public life, and had sometimes even harder actions against them.

Centrist silence had its price, of course: *expenses of the "consensus" swallowed the accumulation*; efficiency in the "happiest shed" was dropping more and more behind incomes. Productivity declined on; there was a need of foreign credits even for keeping the level, for the simple reproduction. Following the two oil price explosions and the declination of international terms of trade financial tocsins began to peal soon. Hungarian leaders thought: in the case of oil prices there is only a temporary oscillation and when the wave of prices passes, everything can go on as usual. It

didn't happen like that. It is easy, of course, to be wise later: to diagnose those price changes as introductions of an extremely deep crisis and the general *structural* renewing of capitalist production. But it could be (could have been) known – even without knowing Marxism – that capital is forced to regular increasing of efficiency by the competition and the imperative periodic retrogressions; so if we pay attention largely for the life standard only, then *sooner or later there occurs the declination in terms of trade inevitably, and later it will grow more and more, together with our breaking away*. It is not difficult to see, that, among such circumstances, future *can't ever bring anything else but stagnancy, narrowing reproduction, and finally: collapse of the economy*.

In turn, probably even in the last moment, it would have been possible to find a way out: to manage the survival resources by strict discipline and thriftiness. But the most serious sabotage of the policy of “consensus” was nothing else but awarding people for their passivity during decades, practically excluding them from public life, degrading democracy as a mere phrase. It was an inevitable effect of this series of events, that “uppers”, governing levels remained without people's supervision and became unable to perform their tasks. They would have been meant to organise and conduct the solving process of the efficiency problem, to vindicate the socialist direction of development; but without people's supervision – as G. Tenner wrote – they formed a more or less uniform pool, and they prevented successfully everything that could derogate their privileges or comfort. Although production was stagnating or declining, political leaders didn't keep these groups at subordination their separate interests to the general community interest; ruling elite, consisting of the most influential practical arbiters of economy and politics, “revised the state will for the benefit of themselves”. It is not as if all members of these ruling elite had been philistine puppies seeking after their profit. They could be even professed revolutionists of proof, who believed truthfully, that the policy they have is the most expedient one – but practically, despite of their best will, they contributed to undercutting the regime, in the long run: to the fall. It was not the will that mattered: in the given medium even the best had to act and behave by the same way, to use the same methods, to have the same standard lifestyle, as the other members of their social group (“socialist petty bourgeoisie” was as fitting, in their habit, the demolished bourgeoisie, as bourgeoisie imitated the demolished aristocracy at the time); and if one or the other recognised and broached the fatal wrong-headedness of the policy of purchased “consensus”, or if one or the other criticised just some of the steps of this policy, she/he was blackballed from the “standard” quarters and removed from her/his position. It was the *medium* that mattered: it chose the individuals and curved them to itself.

Since the problem of efficiency remained unsolved, disturbances of economic supply grew; and the openly rightist opposition blamed the occupants of key positions for the declension – this was insolent, but not really fictitious. Climate of opinion was set afire by the rightist opposition; centrists were displaced from the governance by the “liberals”. First they demanded just “renewed”, “democratic”, “human face” socialism, wider room for the market, guarantee against bureaucracy, corruption and illegitimacy, and they confirmed their demands by experimentally reasoned critique of existing relations. As the signs of crisis multiplied, references to the superiority of capitalist economy became louder, but critics usually ignored that capital reached its admired results mostly by despoliation of weakly groups of countries. Reorganizing bourgeoisie pointed at public property as source of economic fiasco, keeping harsh capitalist discriminations and sabotages quiet tactfully; it possessed the press, the organisation headquarters of the revolution, emotions and thoughts stoutly and methodically. This was the way as it could achieve its restoration “reforms” on more and more fields: continuous widening of market in economy, pluralism in politics. Beside the profiteering legitimated by the law also mafia was practically legalized too, and the process, by degrees, hit the point where quantity changes to quality: *accumulating private possessions swings over from consumption to trade and then to the production, and, having become capital in the traditional meaning, now multiplies itself by expropriated surplus value, now sanctioned “constitutionally”*. Multi-phase process of turn of power achieved its goal smoothly.

A revolutionary or counter-revolutionary process goes off usually that ruling class if ejected from the power by the force of another class, sometimes by bloody civil war; violence is mostly unavoidable, because ruling classes rarely releases power voluntarily. Now, during the counter-revolutionary turn in the societies of socialist direction, power change happened by a different way (except of Romania): without bigger shock: almost like a simple change of administration in the parliamentary systems. It was not a new class that ejected the old one but the old class or rather its leading elite and upper groups changed their former proletarian face (or mask) for a bourgeois face, changing the character of the power. If we search a historical analogy for power change like that, early Italian capitalism seems to be a plausible parallelism. Owners of trade and bank capital, whom the citizenry of the renaissance Italy was consisting of, wasn't interested in creating new economic form, but they wanted to become feudal landowners and aristocrats (or to fuse into the old noble class) themselves. Changing the citizenry of Venice, Florence, Milan or other Italian cities of the 16-17th century into a landowner aristocracy *re-feudalised* Italy, *returned the transition having begun in the direction of capitalism to feudal relationships*. Change of direction was more or less the same in the former socialist countries too, where it was also the *class face of the group exercising power directly that pushed the revolutionary development back to the stage of a former formation*.

How should we adjudge the role of *treason* in this process? It is doubtless: this role had a growing importance, later it was decisive. But it would be a mistake to ascribe the fiasco exclusively or mostly to the activity of traitors. However Khrushchev and Gorbachev did their bit, we can't say that if there hadn't been traitors, there would have been no fall. Treason didn't come from nothing: *it had been a consequence before it became a reason*. It was a consequence of the

economical and moral disruption of the revolution, and the private sense sprawling in the ideology and the social relations; in brief, that Marxists *had lost in the class struggle against the "socialist" petty bourgeoisie*. If petty bourgeoisie, this million headed monster, being reborn day by day from the contradictions of the transient period, can't be rolled back by organised mass struggle, that private interest and treason retched apart from millions of lips burns the socialist regime (that had managed even the most nonsensical difficulties during decades) apart from inside.

Let's summarize the train of main thoughts.

When societies of socialist direction liquidate private property, this step is just creating the ground of socialism, but not the socialism itself so far; as long as they don't liquidate the inherited division of labour and concurrency its inseparable accompanist, till then they are just in the *transient* period, from where way can lead forwards to the socialism even as backwards to the capitalism. Transient society, from its economic structure to the ideology, is pervaded through and through by *mutually supposed capitalist and socialist elements having their life and death struggle*. Who defeats whom? Market concurrency subserves the more forceful, the upper levels of the pyramid of division of labour; and if this tendency of inequality isn't interfered by organised counter-tendencies, than it will reproduce itself in a broadened measure, and it will continually increase the power superiority of the upper levels: their possibility to expropriate others' work, misusing the right of real disposal of means of production. So it is the transition era itself, having the historical task of establishing socialist relations, *that continually exploits (from itself) the new and new seeds of the liquidated capitalist relations, the selfish sense and the elements of social behaviour of the bourgeoisie having been ejected from the power. Evolution of this restoration trend can be defeated by nothing else but permanent struggle for the distribution according to efficiency (against the inequality tendencies of division of labour and concurrency, and against the primitive egalitarianism of underdeveloped groups of proletariat at the same time.)*

We left the question in abeyance whether whom the task of organising and guiding the people's struggle falls on. Spontaneous initiatives of the "lowers" (there were some!) can hardly count on any success, if they get no support from the leader party (they will be simply muted). The party is, "theoretically", the collecting storage of the most conscious, most determined squadrons of the revolution; but, as a part of the transient society, it is not immune against the devilish temptations of privileges either; and if it gives way to the temptations, what could make it organise mass movement against the privileges enjoying by itself too?

However this question, on the face of it, circulates in a logical circle, our survey still shows from their beginning, that there exists a point of way out, and if we want to find it, we have to quest at the very point where the false circle had arisen: in the structure of the transient period. This period has a dual character: its emancipatory activity grounds communal relationships, the inherited division of labour and concurrency ground private ones; the first one enlarges the revolutionary side by new regiments, the second one disorganises the revolution by the toxin of "everybody against everybody". Things are even more complicated because, in the air of concurrency, even emancipation can become deformed into its opposite: revolution increases the production of consumption goods to ease the life of people, but also sense of getting escalates with that – that is socialist advancement sets barricades frustrating itself. On the other hand, the opposite process keeps going too: ruling elite really defends and gives promotion support to public property, partly by wholehearted trust and reasons of legitimacy, partly as the source of its own privileges. (So it confirms its aims towards state capitalism by socialist arguments, or – being inspired by them – recruits new devotees or sympathetic for the revolution.) And the twist can be deepened even more: when devotees and the sympathetic realise the bigger and bigger conflict between the conception being announced and the reality, most of them will be disenchanted, but some, enlisting themselves the professed devotee of the revolution, calls the ruling elite to account for the lack of correspondence between the words and the actions. The great thing is that transient era *exploits disorganizing tendencies but also counter-forces to restrain disorganization from itself at the same time; and these two oppositional powers are always present, and it is their class struggle that determines – nothing else can determine – the fortune of the transient era, the socialist or capitalist-restoration direction of its development.*

Who should organize this struggle? It is vital whether there is a revolutionary leader or there isn't; whether there exists a party, being able to organize the activities against the inevitable disorganizing tendencies of division of labour, however these infect all the society, including the party too. Performing this controversial task demands a high level of theoretical and practical preparedness and a maximum of *awareness* evidently. Without these there is no general staff; without a general staff there is no struggle of people; and without the struggle of people socialist trend will be run off by the uncontrollable hurricane of intensifying private interest and the market. Socialism will not be born from intuitive issues; there lead no shady boulevards to communal relationships. The reformist slogan: "those who aren't against us, they are with us" – renewing of the damp opportunism of "growing into it peacefully" – points, bewilderingly, towards socialism, but it lures the unsuspecting traveller to the ruination actually. To be able to differentiate the true from the false, party has to be aware of the nature of the transient period, and has to take decisions on the question "who defeats whom?" *stoutly, again and again, even inside itself.*

It didn't happen by this way. But this wasn't the breakdown of socialism, but the philistine change of the image of the leader party and its capitulation before the reviving bourgeoisie.

*

As I know, work of G. Tenner is the first, presenting the Kadar era *in the light of the peculiarities of the transition formation*, that is – by my opinion – *by the only scientific approach*: genuinely and objectively, such as it was. The

work is genuine due to two factors chiefly: Tenner could monitor the history of the era not from the view of above or from under, but – as it was – from inside, namely so that despite his high state position (something like being “near to the fire”) his proletarian sense hadn't chipped but rather sharpened. Direct experience, and the approach controlling their generalisation – these are the factors that make Tenner's work a source, which will be, by my conviction, irreplaceable in some fair-minded time. However the work is on inland events, it is still far beyond the Hungarian relations, it sheds light on the processes of the international workers movement's defeat initiated from Khrushchev's Soviet Union; *it helps in the clarification of our past: without that there is no ideological unity and rebirth*. It does all of these in a near view, familiarizing the reader with the real shape of the actors, getting the reader almost in a personal acquaintance with them. It is an “exciting movie” – I could say if I were just a viewer of this catastrophe and not one of its victims.

Closing remark

A bit late, after having finished the lines above, the presentation of Inge Viett has fallen in my hands. It was presented on an antifascist assembly in Berlin, and it was published in the 26th January, 2010. issue of the German leftist daily paper “Junge Welt” (Young World”), with the title “Was war die DDR?” (What was the GDR?). The author having emigrated from GDR to GFR in the 80's, has mostly similar experiences in Honecker's Germany as G. Tenner here at home: they both adjudicate the character of the era alike on the whole (is wasn't socialism but a *transient formation*), and they had been led more or less to the same conclusions, irrespectively of each other. There's no way to review the whole article here, but it is worth, I believe, to summarize some of its thoughts from several viewpoints: they evidence that among Marxists it begins to root slowly to adjudicate the examined period as a transient formation (however the majority is still dissatisfied with that); and that the processes described by Tenner have *international validity* by their content. How does Inge Viett interpret that GDR was a “transient society, being not capitalist already and not really socialist either”? She thinks, among others: “lease-work still existed but surplus value went to the whole society”; “alienation of labour hasn't ended by this, but it was deadened”. Bourgeoisie “had lost the power, but its values, ideologies were still active”; “new situation of workers class made social hierarchies even, but division of labour, being not ended, produced new privileges”. “However the antagonistic class opposition had been liquidated, still living division of labour bore new classes-groups – groups of intellectuals, economists and technicians, functionaries, with their conflict-full interests”; and differences of interests “can sharpen into antagonism in the case of stagnation of social development”. End stagnation occurred. Its determining cause was, that “significant decisions were made, during forty years, by a small leader group”, which was not able to solve the stimulation of efficiency, because “curtailed workers class of the possibility to deploy self-management” and responsibility for the common property. However there were campaigns again and again to mobilize people to take part in social life (let's plan together, work together, govern together etc.), there was no real participation. There were initiations however to validate real democracy, but they could develop just until a certain limit, without any trauma to the hierarchy of decisions; strategic decisions were not discussed in public. So neither the majority of people, nor the one of the leading party membership felt responsibility for the fate of socialism in the country. Inge Viett's can have her critique the more so as there can be no doubt about her communist approach. “Liquidating capitalism on the east part of Germany after the war was, sorry to say, not the work of a revolutionary workers' class or mass movement.” “Building the new society happened without bloody encounters, but under the pressure of a forceful, unwilling majority having been blinded by the fascism, and midst the opposition of the expropriated bourgeoisie collaborating with the capitalist West”; in a bereft of hope, starving country being ruined in the war, where workers movement had been liquidated, population was demoralized, integrated front of imperialism banged the doors and there was the threat of an atomic war. Huge efforts and the extraordinary results of socialist development have to be rated in this light. “Who says GDR was an economy of shortage, that hasn't had a look around the world, and measures by the gage of capitalist wastage, ignoring the world-wide shortage and the huge damages of wastage.” Summarizing the whole, evolving results of solidarity were much more important than the unpleasant and problematic symptoms; this is why the inhabitants of East-Germany (Ost-Deutschland) feel some *ostalgie* on the GDR.

Observations of the German author can't be applied to Hungary “one by one”, of course. But they are worth to consider anyhow.

Some fiasco in the transient period (1956-1989)

In this short study I make a trial to summarize my personal observations and direct information on the political and economic-political working of the “Kádár” period. I aspire to derive general conclusions too – in the frames of my knowledge and skills. At least maybe I can raise reasonable questions, I hope.

*

I was shocked to hear that Stalin has passed away, I was taken aback by Khrushchev's speech in 1956, and I was deeply hurt by breaking up the MDP (Party of Hungarian Workers) and establishing the MSZMP (Hungarian Socialist Workers' Party).

1. / Three-four days before Stalin's death was reported there came some bulletins that he was ill. When he died, myocardia infarct was mentioned in the doctors' report as the cause. (I heard this word for the first time in my life; I had heard only about heart thrombosis and stroke before. The phrase “myocardia infarct” stresses me from that time, however – after the 4th one – I could get used to it.) When I got home in the evening my mother asked me: “what will be now?” The only answer I could give: “somebody or maybe a committee will replace him and we go on”. Later the funeral events were keeping me busy: hundred thousands, maybe millions at the catafalque, and the funeral service itself, the huge military magnificence, the orthodox traditions – seeming a bit exotic – and the open coffin. After Stalin had passed, the triumvirate of Khrushchev, Malenkov, Bulganin appeared.

The “secret” speech of Khrushchev was made three years after Stalin's death: in February 1956. It was wholly published immediately all over the world, and it had been soon presented at all party meetings. It was – beyond the shock – the inhuman derisory intonation and the absolute bias that surprised me. There wasn't even a word about Stalin's merits, but there were shaming comments e.g. about Voroshilov (“Look at him, comrades, he is sitting here like if he were beaten on the head”) and others. And all these, and in this way, were told by Khrushchev, who was the member of the presidency of the Soviet Communist Party since 1939, who represented himself obviously as a committed henchman of Stalin, and who was (had to be) Stalin's partner in all the mistakes he was now raising. I considered Khrushchev's presentation simply unfair. At that time, being 25 years old, and neither many-many years later I could not put my disapproval into words. Also post-Stalin literature affected me (Ehrenburg's “The Thaw”, Rybakov's “Children of the Arbat” etc.). But the works on the Great Patriotic War affected me as well: trilogy of Simonov, Bek's “Volokolamsk Highway”, and Azhaev's “Far from Moscow”. Nowadays (rather late, sorry to say) it is clear for me that downfall of the great and successful experiment of socialism begun when Stalin's putative or real mistakes were criminalised by Khrushchev and his followers, neglecting the given historical circumstances, and with overstatements and falsification. So they corroded the moral principles of Marxism-Leninism, communism, the most humane and most democratic conception.

2./ The Hungarian Workers' Party (MDP) came into existence in 1948, by joining the two big workers' parties: the Hungarian Communist Party and Social Democrat Party. I was its member since my age of 16. MDP was dissolved on the 31th October 1956, and Hungarian Socialist Workers' Party came in its place. Dissolving the party was deeply revolting for me. I felt it inexcusable that millions of MDP members were identified by some supposed and some real mistakes, guilt's of the Rákosi³ period, and so the historical results of restoration and the huge social metamorphosis were actually denied. And all these are done namely by those, who participated in the mistakes and guilt's, as e.g. János Kádár, who was the Home Secretary between 1948 and 1950 (when the lawsuit against Rajk⁴ was). I can imagine the congress where Rákosi was speaking about his “sleepless nights”, where he complimented the „alertness” of the home affairs organisations, and the mass was hurraing Kádár. I considered dissolving MDP hurting. Probably this was why I didn't join to MSZMP.

3 Máttyás Rákosi (1892 –1971) was a Hungarian communist politician. He was the leader de facto of the Hungary between 1945 and 1956— first in his capacity as General Secretary of the Hungarian Communist Party(1945–1948) and later as General Secretary of the Hungarian Working People's Party (1948–1956).

4 László Rajk (1909 –1949) was a Hungarian Communist; politician, former Minister of Interior and former Minister of Foreign Affairs. He fell victim to Rákosi's show trials.

3./ János Kádár's death happened, as I feel, when he had his last speech on 12th April 1989. I managed to hear the sound-recording on the next day already. My heart sank. The old and ill person, who was not able already to keep his thoughts disciplined, was grappling against the heavy and insoluble contradictions of his life, in front of an unsympathetic, dumb and phlegmatic audience. Two months later, on the 6th July, János Kádár died; we buried him on the 14th July. I was standing among ten-thousands for leave-taking, and I participated the funeral service standing in the huge crowd. Nyers⁵ had a moderate speech. The terrific epilogue was: ruining his grave, reproducing the darkest middle ages.

Leaders of the Soviet Union, however stated him to the top, was “lobbying” Rákosi's return for a while. (Maybe he was a bit afraid of Gerő⁶ too, awhile.) It is likely that – at least until the early 60's – his possibilities were rather restricted. His short statement at the Nyugati railway station after Khrushchev's being sent down definitely worsened his situation a lot: it was well known that they had a good personal relationship.

It was in 1962 when Kádár was attacked for the first time (not counting Révai's⁷ speech in the Parliament in 1957). Marosán wanted Kádár and the “old gang” to resign: to pass their positions to those young people whose past is clear. I met Marosán several times and we had several talks, which mean only that he was talking without intermission; sometimes he asked: “can you follow me?” and then he carried on. Marosán⁸ was an affronted person: he couldn't digest that he got free only in 1956 however almost everybody else – among others: Kádár – were free in 1954 already. (As a matter of fact, the Boldoczky affair of 1962 should be mentioned here as well: the former minister of foreign affairs, Hungary's ambassador in Moscow at that time, remained in a “secret” contact with Rákosi. When this fact turned out, Rákosi had been deported to Kyrgyzstan, among undeserved circumstances – for Hungarian demand, I think.

When Kádár became 60 years old, a group of Central Committee members initiated some movement in a serious form, saying, that organizational and political plans, steps should be shaped for the case when Kádár retires on a pension. If I remember well: Biszku, Pulai, Komócsin, Berecz, Grósz⁹ and others were belonging to the group. It was far from Kádár to retire, and the “conspirators” were elbowed into a corner. I know sure enough that he had forgiven it to Grósz, because Grósz informed him, so – as Kádár said – “hadn't become a traitor”.

From the second half of the 60's Kádár was constantly criticized, not only by the Soviet leaders but by some socialist countries (Honecker, Husak) too.

4./ In this essay (20 years after Kádár passed) I try to summarize my experiences on the period named for him – nowadays, when it is beginning the development of a fascist system in Hungary pushed in a semi-colonial position; when barbaric beliefs are becoming “material strength” more and more, when consequences of misleading, dulling people are drawing to a tragic end.

A./ All political gestures, political decisions and economy-political steps of János Kádár, the “plodder of compromises”, aimed to ensure the so called social peace, the “silence” - on the surface at least. Silence of the mass, its pseudo calmness, the modest but still stable (nor yet in some degree persistently growing) living standard without the real performance requirements, were bought by him. The serious prices could be covered by foreign credits only – just for a limited period, as it was clear for every clear mind.

B./ The most serious phenomenon which could be experienced in the everyday life: this was the stagnation (bit by bit decreasing) of economic efficiency. Investments came to smaller and smaller part of national incomes, there were years when even the absolute measure of the accumulation decreased. Failing and obsolescence of producing base (machines and equipment) made the exterior indebtedness worse seriously. Lag of renovations, necessary exchanges and technical development made the situation more and more untenable and oppressed the country as an internal debt.

C./ There happened a break in the large scale process of realising socialism. Nationalisation of producing devices, taking them into a collective property came true (though with some constraints), but evolution didn't tend towards socialization. Rights of disposal over producing devices (possessing production equipment) was taken hold of an “upper-class” consisting of the leaders of the significant state companies, state farms, large collective farms, presidents of county councils, county party secretaries, and some leader state functionaries. This group was interwoven, creating uniform clique, crinkling the party, its central committee under themselves, revising the state will for the benefit of them. And when foreign resources seemed to dry, and additional increasing the internal debt became impossible, the declining Hungarian economy and the society (which had never faced the real requirements, and which had been peeled of socialist social sense) was floating - automatically – towards the crisis. Party and state governance, and also the economic governance in a wider sense (or its major part at least), having shaken down (rudely saying: rotted) into a comfortable life didn't want or wasn't able to recognise the necessary tasks even then.

5 Rezső Nyers (1923-) is a former Hungarian politician, who served as Minister of Finance between 1960 and 1962. For a few months in 1989, he was the country's last Communist leader. As usually said he was „the Father of the Hungarian economic reform”.

6 Ernő Gerő (1898 - 1980) was a Hungarian Communist Party leader, and briefly in 1956 the most powerful man in Hungary as first secretary of the ruling communist party.

7 József Révai (1898– 1959) He was one of the founders of the Communist Party of Hungary (*Kommunisták Magyarországi Pártja; KMP*) in 1918. He controlled all aspects of Hungary's cultural life from 1948 until 1953.

8 György Marosán (1908-1992) Minister of State, member of Political Committee from 1957 until 1962.

9 Members of Central Committee of the MSzMP

D./ It is my firm belief that the events being assigned to the names of Khrushchev, Gorbachev, Yeltsin, Imre Nagy, Kádár, Grósz and Németh, and the tragic consequences of these events, don't mean the fall of socialism in any way. The thing is that society, we can say: mankind, having deserved a better fortune, missed its way during the just historically commensurable transient period leading to socialism, because of the lack of principles, the compromises, treasons. This happened not for the first, and surely not for the last time in the history. In any hard situation we are and in any harder situation we are going to face, it is even more sure, that there is only one alternative to ruination of mankind: socialism, communism.

I.Economic policy

In the early 60's one could experience how the disturbances of economic functions were more and more consistent. In the socialist industry increase of wages and incomes exceeded the increase of productivity. At the same time the problem of living standard difference between peasantry and the working class were disputed in wide public, partly by the trade unions, and partly by certain groups of the party. Political atmosphere became strained. The country's industrial performance was sensibly deteriorating. The food supply – compared to the other socialist countries - was rather good, but in the range and quality of industrial products we were passed by Czechoslovakia, the German Democratic Republic and mostly by Yugoslavia. The supplies were growing and in the same time, by altering intensity, there appeared a shortage of goods. We were badly off in home-building too. This was worded in those days that “the reserves of the central system with directive plan instructions were exhausted”.¹⁰

As I think, answers, solution proposals for the emerging difficulties, contradictions, socio-economic disturbances, and economic-political steps being worked out “on the fly”, were not adequate. There were no light experiments to clarify their theoretical background either. So there was no care for the analysis even of the medium-range effects of arrangements. By harder words we can (or rather we have to) say that since 1953 politics, and even more economic policy could be characterized by drifting; by diverging more and more quickly from the roots, Marxism-Leninism.

Imre Nagy¹¹, appearing after Stalin's death, and his programme - with the justification of correcting the former mistakes – put broadening the supply of consumer goods into the centre of economic policy. (The population supply was deteriorating in a significant manner in connection with increasing the five-year plan in 1952; the shortage of goods was general, unfortunately in fundamental foods too. The measure of the percentile decrease of the living standard was two-digit because of the fast elevation of the free-market prices. It was necessary to help this apparently.) It was a bad answer apparently however, that some kind of opposition against heavy industry was formed, and those who did not agree with this were criticized firmly. There were published enthusiastic, illustrated front page articles in “Szabad Nép”, the central party newspaper, that couches are produced in heavy-industry firms in Csepel and Diósgyőr. After Imre Nagy's replacement, onto 1955, this political promotion ended, but it wasn't replaced by anything actually. I participated in the process of the negotiation of the 1957 year national economic plan (in August and September) and I could experience that a very strong increase of light industry production and of choice of industrial services were promoted.

Roughly similar economic policy was announced by Khrushchev, who denied the primateship of the production devices, although by the experiences of the economic development of Soviet Union, this was the key of the unbelievably quick closing-up of tsarist, underdeveloped Russia. This is why the four decades of the Soviet Union – after Stalin's death – can be characterized by stagnancy.

Main political, economic-political goal of the consolidation following 1956 was: enrichment of food supply. Some of the agricultural cooperative farms had broken up, others were vegetating; at the same time the purchasing power of the population – as a consequence of the totally groundless wage-rises in December and January 1956 - grew. Boost of agricultural production became a key issue. Organization started again in the late 50's, partly on the base of remained cooperative farms, and it practically ended by 1961. Among the so called Lenin-principles (volunteering, gradation, and state support) it was the third one that emerged openly: namely the generous state support.

The cooperative farms strengthened by the end of the 60's, and they went through structural changes considering their character. The earlier severe determination of the extent of household territory eased off, it was loosening; on the other hand it was supported by the co-operative by all possible manners. The cooperative farms employed special so-called household agronomists, and they organised the supply of the household economies by seed grain, pedigree sires, chemical fertiliser, and also selling the products. The agricultural policy actually returned the peasantry into small capitalist, through operating the household economies and favouring them beyond all borders. The Hungarian agriculture - according to the ownerships of the territory - was “socialist”, as the majority of the territory was belonging to the cooperative farms' property. But half of the agricultural production came from the household. So only half of socialist reorganization of agriculture was fulfilled - concerning the production relations. It is doubtless, that there was a

¹⁰ Critique of centralised system of plan-instructions wasn't something new. György Péter's startler article was published in the early 50's already, article of János Kornai was published about a year later.

¹¹ Imre Nagy (1896 –1958) was appointed Chairman of the Council of Ministers of the People's Republic of Hungary on two occasions(1953 and 1956). Nagy has been executed in 1958.

mutual dependence between the “common” and the “household” economies, none of them could work without the other. In the course of time co-operatives have established supplementary plants, where industrial production was going on. They partly financed the losses of the large scale firm agricultural production from the incomes gained here. The peasantry's incomes increased significantly, so much, that prestige consumption became quite general in these circles (storey palaces, expensive fences, family crypts etc.): this caused noise and antipathy. Income scissors opened between people living from wages and salaries and the peasantry: living standard of workers and employees lagged behind the peasantry's one more and more.

II. Economic mechanism

It was Rezső Nyers (president of the Council of Consumer Cooperatives at that time) who came up with the idea of the reform of the economic mechanism. I could catch the essence of the reform – formulating for myself – as “goals of national economic plan should be assured in the future not by direct plan instructions (that is by legal means) but through profit orientation, by combined use of economic regulators and market influence. Scale of regulators should be calibrated according to the planned goals.” This seemed simple and maybe believable. Only the uniform agreement and enthusiastic support got publicity. Sceptic opinions were broached in close circles of friends. The reform ideas got rather hard criticism from Soviet Union, and also from some socialist countries (GDR, Bulgaria), and after the events in Czechoslovakia in 1968 the reform process practically ceased, the additional steps meaning the prerequisites of function according to the ideas (the price-, and wage-, and tax reform) were not performed.

When the reform was announced, it was one of the arguments that the endless series of plan bargains will finally cease. One could see soon that plan bargain was replaced by a bargain around the measures of the regulatory system and its methods, where the economy leader and the central planning organs were left below successively. It was many years later when I understood the category of “authoritative public opinion”. This is the name I have given in my following essay to the social group, which, in a wide interpretation, holds the economic and political key positions, from the behaviour of whom, as a matter of fact, everything depends, locally and nationwide as well. This (more or less uniform) “public opinion” was forming a pool consisting of the county leaders of party and state organisations, and the upper leader groups representing the different sector interests (general directors and presidents of great industrial and agricultural plants).

Supplement data for the historical analysis of the present situation of our economy (1987-88) (1986 November, Details)¹²

1./ I am wondering what motivations have been and are determining the actions of the party and state leaders. The party and the state has, I think, some inner mass base, and this is considered even when exterior impulses are evaluated; or when some ideological approach is set behind the policy. So I feel the inner motivation general and strong, and I think the ideological motivations to be subservient. The inner mass base or the “authoritative common opinion” can come – where there is no real popular presentation – just from the very group which controls the economic and political key positions in a wide manner; consequently whose behaviour keeps others in dependence, locally and nationwide as well. This more or less uniform common opinion is aggregated, as I think, from the senior management of companies, county party and state organisations, and the representatives of the different branch interests. Now I don't say anything new: this was observed by many others as well; Jenő Fock¹³ has also worded the same many times, as the main handicap of the governmental work. The question is, whether we are able to break with this power structure: whether we have done any such experiment either; whether there is any such intention. My answer is negative. I try to survey the events of the years 1987-88 through these glasses – not by chance – because, as I think, this situation and rather the opportunities of a change should be the starting point for wording the inevitable steps of economic policy and considering the chance of success.

2./ If we analyse the experiences of one of the great steps of the new reform waves starting in 1985-86, namely the reform of taxes, we have a good possibility to draw some lessons. Some battles between the government and the “standard” common opinion begun during the preparation work of the tax reform, about in the 2nd quarter of 1987. The “show” was beginning, how the tax reform would drive at least half of companies and cooperatives into a loss position; at best, half of the remaining half would be able to keep their former positions; so only one quarter of this sphere would get into better situation. On the question of personal income taxes one could hear the opinions more and more loudly, that companies wouldn't be able to cover it financially; companies demanded a wages' guarantee from the government.

12 See the full text in my book: „T. Gyuri történetei” („The stories of George T.”), publisher: Next-Door in 2009, pp. 210-219.

13 Jenő Fock (1916 - 2001) served as Chairman of the Council of Ministers of the People's Republic of Hungary from 1967 until 1975.

At planning and financial organisations it was in the middle of the year when the anxiety was standing out, that the tax reform would probably cause significantly different income process and income rates than it had been expected. It emerged a more and more reasonable fear that the changes wouldn't come true by the forecasts: calculations made in different periods traced out more and more that producers' prices wouldn't decrease by some percentage points, consequently the hypothetical 40% decreasing of profit rate wouldn't come true either. So – insisting on the original idea of income centralisation – ten-billion forints of income centralisation occurs, compared to this a budget deficit beyond all limits can stand out. Anxieties were verified by the calculations of the State Planning Office from another side: they couldn't work up a correspondence between the estimates on fixed prices and on current ones: calculation gap was at the level of ten-billions.

Discussion on the extent of taxes flamed up, of course, since the extra serious lack of balance was visible. ("Old stagers" called the attention that – in contrast to the central will – companies and cooperatives were the winners of all the "price changes" in the history of the Hungarian economy after 1956.) Meanwhile the central government (independently from time and space, I think) insisted on the tax philosophy announced former, namely that tax pressure has to be eased. I want to stress that this philosophy was standing on a perfect base, because decreasing tax rates gives a chance to the more dynamic evolution of companies working effectively, profitably. As a matter of fact it is a step like this that can decrease redistribution which conserves the structure. The problem is, that support rate of incomes hardly decreases, so the tax philosophy got to be in contradiction with the economy policy aiming balance. During these discussions there happened the unexpected turn that about at the end of September or at the beginning of October 1987 (that is at the beginning of planning work) the extents of the regulation system had been fixed, so there were given circumstances for planning.

The economic plan and budget for 1988 changed (as its makers and also its validators knew) into a set of papers of almost no purpose. Everybody doubted in the reality of estimates. If I remember well, validation was done by saying: "there has to be" a plan and a budget; during performing we'll see what we can or rather what we must do.

3./ Aggregating the tax reform and the budget of the year 1988 (or any year in general) was (is) a long iteration process in several rounds. Different compromises are made usually before the whole effect could be outlined on the level of the whole of the Hungarian economy. Understanding has to be reached during conciliations, because the government isn't the best field to resolve the discussions. And anyway: it is difficult to confront the opinion of a proper minister, while the government is not able to take the responsibility for the proper sector. And the minister is, in most of cases, controlled by the strongest company group. Force of this group origins from their monopolist situation, from their interlocking with the county party organisation, from the "Comecon"¹⁴ relations and so on, and so on.

Compromises were, in fact, fruitful. The "authoritative common opinion" joined to the government: maybe the most representative manifestation was the August attitude of the Hungarian Chamber of Commerce, standing up for the tax reform unambiguously and steadily.

Companies and cooperatives knew at that time already that tax reform isn't as dangerous for them as they had estimated. After all also the fear proved to be unrealistic that the December session of the Parliament would throw the tax reform act away. Discussion and ratification happened surprisingly smoothly, not because the Parliament would have been inexpert. The government's victory proves rather that the two great lobbies (the industrial and the agricultural ones) control the Parliament stably, and that the consensus with this lobbies is (for the present!) the explicit criteria of the government's working abilities.

4./ Having a review on the expected major indices of the development of the Hungarian economy in 1988, we can draw some important conclusions. It is worth to perform this review compared to the planned goals, since this is the way we can confront the government's expressed will and practical activity with the reality. It seems to be sure that the goals on decreasing the life standards, moderating consumption would be realized on the whole, however in a different structure. Inflation would be higher than 15% (as it had been accepted originally), and probably also nominal wages in the company and cooperative sector would exceed the plans by 2 points. So, concerning the life standards and consumption of this group, results can be expected to be rather close to the plans. It is going to come at the same time a considerably worse situation concerning those who work not in the company and cooperative sector (workers and employees of the so called "non-producing" sphere) and pensioners, whose nominal income wouldn't keep up with the inflation. Now it is not clear yet but it is likely that situation of richer people would be even better. (The fact that budget income coming from personal income taxes was behind the expectations, arouses my fuzzy feeling that taxing the unseen income – or at least the "grey" one – was unsuccessful.)

Assuming that final statistical and balance data of 1988 will prove the above prognostications, it can be seen that we make the people to tolerate crucial economic difficulties, by a manner, of course, that in the background of the company and cooperative leadership (in workers' and employees' collectives) there shouldn't evolve extreme tensions. It can be seen that industrial and agricultural lobby keeps some popular presentation (in some ways); this is positive. On the other side it is seriously negative that there are huge social groups at the mercy of the situation, without any

14 The Council for Mutual Economic Assistance 1949–1991, was an economic organisation of the Eastern Bloc states. elsewhere in the world.

representation. (It could be another question whether SZOT (Country Council of Trade Unions) in what degree is sharing in the company and cooperative lobby, if it wants to do so or if it doesn't.)

Budget position will be considerably worse than it is planned, however its degree can't be outlined yet. But I am sure that the structural distortion I have mentioned at the living standards will come into existence in the budget too. There will be no transgression in the budget expenses belonging to the life standards: neither wages' level nor expenses of education and medical sphere will exceed the plans. The budget minus exceeding the plan is going to arise probably from the plus supports that feed the profit.

Position of the company and cooperative sphere will be better than it was planned originally, in any comparison. I don't wish to add any comment.

In fine, all these issues will precipitate in the over-the-plans growing of net indebtedness. (Also other effects have some roles in that.)

5./ So some proper asymmetry can be seen in sharing the rates of the charges of balance correction among those who have earnings. The budget and the company and cooperative sector bears less charge than the people, so the economic environment has not enough motivation impact for improving the production and realization structure, for realizing a reasonable budget, for moderating the wastage.

Since this is essential, let me stress one more issue, namely that the biggest growth of stocks is going to happen at the companies and cooperatives this year, without having any visible effect on their liquidity.

One could consider whether this asymmetry is based on conscious political premeditations or it is created and reproduced spontaneously by the power structure. This question arouses in my mind as if this asymmetry is created by the battle between the industrial lobby and the Central Committee working as the trustee of the people's power, the party and the government, controlled by the Parliament, or this is an attribute even if the common decision doesn't form a proper pact.

As a matter of fact, it was the discussion on the plans of the next year or rather years ("A" and "B" versions) that became really alarming for me. The document laid forward the Central Committee and the introduction written by the competent CC secretary meant undertaking and carrying on the asymmetry knowingly. I could catch the background essence of the version "A" (liberalisation, deregulation) as the serious cutback of supports being attached to devaluation, and, as a consequence of these both, to a significant inflation exceeding the one of this year. This means in a simplified form, of course, that even the version "A" doesn't mean any pressure for the companies and cooperatives, since we are going to save the present situations of their working conditions as long as it can be stood by the life standard fall. It was surprising for me how uniformly the Central Committee committed itself to the version "A". As I suspect, uniform patronizing of the version "A" is fed from the same structure which I mentioned in connection with the smooth accepting process in the Parliament of the taxation system. To say openly: the Central Committee represents the interest of the industrial and agricultural lobby just as the Parliament does.

6./ Sheer impossibility begins to turn out at the beginning of the last quarter of 1988. It seems less and less valid to form a balance position that would be essential for maintaining international credit standing. Frightening numbers are circulating on the deficit to be expected in 1989. The "imaginary" price plans are slowly worked out so any other step indicates inflation equal to or higher than the one of this year; and there isn't even a most minor move in the direction of any structural realignment. As I can formulate the question: the external effect being a danger to our credit standing and the inner economic and political effects following from the continuous decrease of life standards and life circumstances are competing to decide which of them will be the primary reason of the crash.

Conclusions

1./ The agreement of 1987 (the compromise system that has almost the form of a pact) with the industrial and cooperative lobby should be quitted evidently. Companies and cooperatives should be forced much stronger to alter structurally. It is possible or rather it is a must to undertake the economic and political risk of this step.

2.) A budget of "0" base should be formed for 1989, concerning the expenditures at least. Starting point should be simply that the level of budget supports in 1988 can't be a pretence for the future. Priorities have to have a serious order: which are the needs that must be fulfilled entirely; allocations for any other purpose depend on the present or nascent resources.

3.) We have to get out of under-evaluating labour force beyond all limits, and indirect supporting of companies through the non-realistically depressed level of wages, following from that. Wages don't cover nowadays the primary needs either (living costs, child rearing etc.) so this has to be supported through miscellaneous roundabout ways. Meantime the high profit of companies leads to commodity and baseless conceit; on the other side it feeds demagoguery complaining the high budget centralisation.

4.) As long as there is no advocacy since only the industrial and agricultural lobby has the ways to enforce their interests massively, a conscious counterweight has to be framed, chiefly on the part of the party, I think.

The market influence, the profit orientation (that is: the categories of production, by Marx's interpretation) could hardly realise their regulating (balance creating) effect, because practically even the prerequisites of this effect hadn't

(couldn't) come true. The market performers were in monopolist positions – apart from a minor exception -; most of the prices were regulated centrally or through the Comecon (KGST) contacts; development and investment was depending on the central decisions through taxation, distraction, and amortisation system prescribed centrally. Quasi “results” of the “imitated” market couldn't be anything else but imitated. One couldn't speak about real competition among producers; not about a so-called “limited competition”¹⁵ either. On the other hand, capitalism, mainly monopolist capitalism shows far enough examples to make it impossible to kid ourselves about the “balance creating” impact of the rule of values.

Someday in the 80's I participated a meeting in the Ministry of Finance, palavering that during the re-pricing of plans a GDP proportion of the order of ten billions (10¹⁰) had simply disappeared. (This order of magnitude would mean hundreds of billions at present value.) Nobody was able to give a considerable explanation, neither the Prices Office (Csikós-Nagy), nor the Ministry of Finance or the State Office of Plans, but everybody was fully aware of this sum was hidden by the companies and cooperatives for serving as an asset reserve. Also the Central Statistical Office (Vera Nyitrai¹⁶ and Júlia Zalai¹⁷) agreed. When one of the chiefs asked, if “this will be all right now”, I whispered to Attila Madarassy¹⁸, who was sitting next to me: “Yes, *from now on*, Comrades, *it was* precisely so!”

Reform of economic govern, liquidation of the central plan management brought the central wage regulation to an end. This step was – as I mentioned above – accompanied with opening the income scissors between the agriculture and people living from wages and salaries; with serious wage tensions. The situation induced debates in the society, in the party, and among state organs. Not only the tenses were mentioned, but also some questions of the “socialist model”, as e.g. “the refrigerator socialism”, the “worker-peasant fellowship”. The debates dwindled under short time; the corporate economic panels (VGMK)¹⁹ bridged all the tensions in moments. And in fact nobody cared how their proliferation and how the income workers could achieve here, “deflated” the work performed in the socialist company, in the legal working time.²⁰ Process of becoming a “petty bourgeois” had overtaken the industry, the working class too.

Persons living from salaries (doctors, teachers, civil servants etc.) and pensioners became the real losers of income processes, being often spontaneous. The government relieved the situation by so called central wages' actions sometimes.

By the preparation of the year national economic plans, it was necessary to pay a separate attention to the so-called comforting arrangements. The most essential ones were: the first “home-building programme” between 1960 and 1975, and later the second one, when new flats in a million order of magnitude were established. Another one was: lightening the rules of travelling abroad, new regulation of foreign exchange supplies. Already in the period of the Grósz²¹ government - despite of the protest of the National Bank of Hungary and the Ministry of Finance - the foreign exchange supply was given personalised. It was this time when a shopping exodus started to Burgenland. If the money spent for this intent had been spent for importing non-perishable consumer goods, incomes of Hungarian trade (and the state) would have increased (so the commercial price margin was wandering into the Austrian dealers' pocket). Let alone that half of Europe was laughing at us.

III. Social and production relations having formed by the beginning and middle of the 70's

According to my experiences, most influential group of leaders in the economy, the state administration, the mass organizations and the party – the “authoritative public opinion standard” of the transient era –, misusing their point of vantage, validated the separate interests of certain sectors, companies, groups, or rather, in the long run (or even directly) their own personal interests, at the expense of the interests of the whole society. (For example in the course of bargaining around the regulating system, making the most of their connections or the momentary power relations, they could transform incomes that were due to the state budget into company-disposable income effectively.) There was a dog fight for the distribution preferences and extra material resources, playing the more and more pressing people's economical needs down; fighters formed cliques and lobbies to cut out the bigger part *from the income produced by the direct manufacturers using the production tools of common property*. As a matter of fact this was a *seed form of exploitation: expropriating somebody else's work by a special, cloaked way, grounding not on the private property of production tools but on the effective, practical disposal of the production tools owned by the state*. State property became partly – but in a growing manner by its tendency – some legal “draught-screen”, hiding private interest oriented distribution of some part of the values generated by the direct manufacturers, among “the members of the inside ring”.

15 Joan Robinson „The economics of imperfect competition” (McMillan, London 1933)

16 President of the Office

17 Head of Department of the Office

18 Secretary of State in the Ministry of Finance

19 A very special form of overtime work.

20 A bitterly joke from that period: János Kádár asks: „How many are working at this company?” „Approximately half of them” – is the answer.

21 1987-88

This hidden exploitation transmitted by state property didn't make an end of socialist oriented development at once, but *state capitalist tendencies* stand out in in from the beginning, and then, unless opposition, they displaced the socialist elements of the transient era step by step, and they ended by restoring the domination of capital beyond recovery. (I should like to press: I consider using the category of “state capitalism” for the completely state owned production tools of the transient era *in this relation only*. On the whole, the era itself can't be labelled as “state capitalism” or even “state socialism” anyway – when it is labelled sometimes still so, it is to blame the economic and social role of the state for the fiasco, and to propagate the anarchy-like versions of “self-management” as the only beatific method of making socialism.)

The other feature being linked to this is the low level of wages, which makes manpower reproduction impossible. The income level being indispensable is created not in the producing sphere but it is shifted to the budget, to its complicated support scheme. The low wage level makes necessary to give price support to the fundamental consumer goods, residing costs, energy used in homes. Low wage-level practically excludes the validation of the principle of the distribution according to the work, because the income differentiation corresponding to the quantity and quality of the completed work becomes impossible between circumstances like this.

Huge industrialisation wave of the 50's liquidated the industrial reserve army and also the oblique unemployment in the agricultural population. All of the economic system, its history almost in the whole period, could be characterised by the shortage of manpower. The lack of manpower and the low efficiency of the use of workforce turned into a process strengthening each other, the work morale, and the working discipline loosened unmanageably. The workers' consciousness was fading understandably – because they could see frugality in the whole society, and tacit acceptance of working with any low level.

The historical era of transition from capitalism into socialism, from the revolution until creating socialist production relations, requires proceeding the class struggle among different circumstances. Compared to the relations of the revolution, being rather easy to survey, battle in the transitional era is complicated, has a lot of fronts and and implicitly it is sharpening. The categories existing after the revolution also, production of ware, money, the inequalities are breeding capitalism “from day to day” and only efficiency of the further fights determines whether “who downs whom”.

After the year of turn (1948) the consecutive nationalisations attained the one-man capitalists, the small-scale craftsmen and private retailers too. Because of the forced industrialisation, and lifting of the expectations of the five-year plan from 1951-52 (in connection with preparing for the next world war) caused a fall in the living standard. A free market took shape beside the ticket system, this started inflationary processes. Even adjudications with draconian severity (sometimes with capital sentence) were not enough to confine the black market causing serious shortage.

After Stalin's death, the concept of Imre Nagy (stopping of the obligatory surrender, the sometimes open, sometimes covert opposition against heavy industry, increasing consumption at the expense of accumulation) came true fully in the years following 1956, independently from his personal judgement and fate. It was then when the transition driving into the socialism from the capitalism was sprained: it turned into its opposite, a proper restoration of capitalism.

Direct leaders of the economy realised this situation soon and they adjusted their strategy, their tactics to it. They realised that János Kádár and the whole party management is interested in conflict proof situation. This need was appeased by deals, “defending and defiant leagues” with the upper (also county level) party organisations, more punctually their leaders.

There were others who imagined their own role, their tasks by some other way, who had a significant sense of vocation and also political commitment. But these persons were “processed” by the system. István Martos, general director of Medicor – I had the luck to have many of friendly conversations with him – held the opinion of unconditional priority of economical reasonableness, efficient operation of the company. When he experienced the opposite tendencies, he tried to oppose seriously (upwards and downwards as well), but he couldn't keep his ground. Power of circumstances was always stronger. His prize was that he became a “tolerated person” (he got no awards; he didn't get the moral and financial appreciation that was available for others easily, by much less work, less results). István Orbán general director, head of Egis Pharmaceutical Company, was in a similar situation. He died in heart attack on the very day after retiring on a pension. Mátyás Tímár, president of the Hungarian National Bank – after he had had a speech at the congress of the party, and he criticized the indebtedness policy by heavy words – was omitted from the Central Committee and also from the party committee on economic policy. Attila Madarassy was a fair thinking and committed person: he was the “eternal state secretary” at the Ministry of Finance: he could never be a minister, on the grounds of his non-opportunist behaviour, and many others. And I could meet, of course, people, who (because being unknowing or invertebrate either) hurried to fit to the elite better, and they didn't face the situation, but they hunted often and mainly had hunter-diners and tennis elbow, they played cards and they drank, quasi recalling the quite displeasing attitudes of the “genteel class”. They framed the majority, I'm afraid.

Despite of all mistakes and all contradictions, the quality of the life was incomparably better than in the Horthy era, at least for the majority. The quality of the life bears the comparison even with the today's relations. Social security, right for pension became general (for the agricultural population as well), medical care and education (on some levels) was free, the pauperism practically ceased (even among the most fallen Gypsy population), the housing problem was more or less solved. Differences between the individual incomes were reduced significantly, if I remember well the factor between the underwear and the upper quarter was hardly more than five.

So the transitional society was far from an open capitalist system, but socialist features didn't get stronger, capitalist features didn't weaken adequately. Although the production relations - especially following the year of the turn - went through radical changes, the development recoiled after 1954-1956, there happened a certain restoration, tendency of development pointed more and more to the direction of restoration the capitalism.

IV. Indebtedness

From the middle of the 70's it became increasingly more obvious that the country's economy is getting closer to becoming impossible. The continuous decay of the exterior conditions came into an even sharper conflict with the constancy of the inner relations. The country leaders solved this contradiction by having resort to western credits as long as they had the chance for this.

On the oil price explosion in 1974 the Hungarian political and economic leaders had the steady and (seeming incontrovertible at that time) standpoint – however internal and foreigner professionals, market analysers said the opposite – that it can be nothing else but speculative manipulation on prices, as it is usual in the capitalism. So it is not necessary to care because the prices regress to the original level soon. The arising imbalance should be balanced by foreigner credits, so much the more it was an almost limitless possibility to get long and middle term credits with low interest rates.

In the next year (in 1975) György Lázár became the prime minister instead of Jenő Fock, and there came a quite wide-ranging change in the government. According to the professional and the wider political public opinion, the personal changes meant the “fall” of the committed reformers. It became obvious only many years later, in the middle 80's a lot, that it was the industrial and agricultural “lobby” that consolidated its power at this time. Fock – who never appeared as a committed reformer, who was not interested in the various reform studies, but who demanded the serving of interest of people's economy against the company and portfolio interests – lost his position. Fock was reproached specially that he was pugnacious and that he had always conflicts with the Soviets during the plan discussions on trade. Even on the party congress Fock “had the face” to criticise the ministers sharply, saying, that “they serve the portfolio interests in the cabinet instead of serving the interest of the people's economy as the head of their portfolio”. Choosing the silent György Lázár, who had no considerable political past, aroused incomprehension. I heard from good authority that when Kádár was asked why he had chosen Lázár, his answer was: “Because he is such a nice-looking Hungarian man”. There was a tittle-tattle that Kádár and his main advisor in HR issues, Mária Tamáska (aunt Mária, Kádár's wife) didn't like individual personalities, so if one met them it was advisable not to speak too much and to say only what fits the general tone.

The phrases connected to the name of János Kádár: “goulash communism” and “the merriest shed” were based in the second half of the 70's. The relative plenty of resources (which occurred by means of credits) made possible central wage corrections for some groups of employees. It was then when log-cabins were raised on miniature plots; also Trabant had a cult. Process of “philistinising” was based by the famous maxim of Kádár: “Who are not against us, they are with us!” and the liberal cultural policy connecting to the name of György Aczél (TTT: “Támogatni-Tűrni-Tiltani”: “Support-Tolerate-Prohibit”). Mostly leftist system criticsers got into the third category.

Beside the significant rise of wages, at times there were writings, sociological interviews published on poverty, on the peoples of workers' hostels, “black trains”. If I remember well, István Huszár²², together with Zsuzsa Ferge²³, published data on poverty in the late 70's or maybe in the early 80's. These were, leastwise, not welcomed by the party, because “in socialism there is no poverty”. And when it yet exists, that is a failure not of the system.²⁴

The second explosion of oil prices in 1979 cut up the beliefs – if there were any – that raising the oil prices was only a temporary oscillation. Plans for 1980 appropriated some sensitive rises in prices (e.g. carcass meat) that – if I remember well – caused a light decrease in living standard: 1-2%; or at least they stopped the growth of consumption. They were the families of the lowest income with more children, and pensioners, who were affected by these painful steps most: basic food has a higher rate in their consumption.²⁵

22 Head of Central Statistical Office

23 Zsuzsa Ferge (DSc), sociologist, full member of the Hungarian Academy of Sciences

24 A scene of a novel came then to my mind. Soames, master of the property, one of the main characters in Forsythe Saga, meets somebody who had become poor and is, in depths of despair, begging for a living on the street. Soames gives him some pennies, and says: „poor devil, he should have managed his things better”.

25 On the front page of the humorous paper „Ludas Matyi” there was a cartoon published where a pretty young lady is just correcting labels in a shop-window, and she modifies the transparent „Hurrah for the 20th August!” (note: 20th August is a holiday in Hungary) transcribing the number 20 to 23.50 – the paper was smashed. Árkus, editor in chief, commented this event many years later as problem was caused just by a simple word, for they thought it to be a good joke, but others thought it to be **not** a good joke.

There was a change in the world-wide political situation. Afghanistan intervention of the Red Army affected the money-markets extraordinarily deeply, offer of credits narrowed, interest rates ascended. As a matter of fact it was this point when the liquidity crisis, leading to IMF and joining the World Bank, began to ripen markedly.

Tomasi di Lampedusa stated “everything should be changed to keep everything unchanged”. I was thinking in the first half of the 80's, that this can be true vice versa as well: if we wouldn't perform steps being adequately perceptible that are able to enforce the significant growth of effectiveness of company and agricultural production and management, everything will change as a consequence of an economical cataclysm. (Even the light idea of changing the system didn't occur in my mind at that time either.)

Elements and achieving factors of “social peace”, as Kádár imagined it, the deal with the people, were possible – evidently just for a limited period – through the growing of foreign credits (we paid due redemptions and interests always new and new credits and we used even more credits to cover domestic shortage), and aggregation of inner debt (decreasing investment rate, later absolute decreasing investments, renovations). These elements and factors were:

- There were practically no limits for the social, economic elite to validate their interests. Through the bargains on the elements and extent of the economic regulation system they prevented successfully all the efforts meaning any force to correct the economic efficiency, to enlarge social productivity.

- Work in companies, co-operatives was devalued. Mock employment (that is: forming the real unemployment into a virtual one: unemployment inside the company) became a general routine. Workers in the industry and agriculture used their real, substantive working capabilities in the company economical groups, in the household farms (or in both), socialist work was not “a matter of honour and glory” any more. The socialist team movement, urged routinely by the party gimmick, exhausted, became a low-grade dusty scene.

They were showing no willingness to perform the crucial steps, however even in the second half of the 80's there was a path (although rather narrow one) by which the fall, collapse could have been avoided. I wrote this study about this possibility for the Institute of Social Sciences of the Central committee:

Financial conditions and possibilities of a new phase of development in the period until 1990(1985 March, details)²⁶

Main factors of the critical situation having evolved as a consequence of our late and rather weak reaction for the dramatic changes of the external economy (first and second explosion of oil prices, declension of swap ratio, sales difficulties coming from the world market recession, hardening of Comecon relationships etc.) can be summarised as:

Debt of the country is relatively high, debt service (amortization and interest together) is high, too, and it means an uneven load. In 1984-86 – because of the expiration structure becoming continually worse – redemption culminates: redemption engagement will be higher in these 3 years by 40-50% than it was in 1982-83. Redemption culmination slightly eases in 1987; redemption engagement matching the one in 1982-83 can be expected for 1988 only. There can uncertainties occur in planning the probable redemption level: present-day knowledge can name just the possible minimum of redemption engagements, at the same time it is absolutely not unimaginable that – if we will be forced to have resort to credits with unfavourable expiration in the close future – the time interval characterized by high redemption engagement elongates even by some years.

Credit markets will continue to be unsteady, probably it is necessary for a long time to calculate with credit offer and equally credit possibilities being forcefully limited in our aspect. In the following years it will be detachedly our state that we shall decrease our existing debt, that is we shall be continuously redeem the credits we had had resort to. It befall the obligate redemption of the existing debt when possibilities of new credits fall short of redemption engagements. From the viewpoint of the economical load weighting on the country that means that, year by year, there must be a surplus that covers the interests to be paid and decreasing the debt as well.

Surplus cogency demands the inland recourse (consumption and aggregation together) to be lower than GDP production. It is the difference that covers the needed surplus. Present-day knowledge indicates that we are going to have to sustain the wastages coming from the declension of swap ratio in the following years too. (Swap ratio loss can be expected also in dollar relation but mainly in the rouble accounting relations.) Slowness of alteration of production and realization structure (appearing also in weighting of the process of modernization) probably conserves the swap ratio declension.

Knowing the data it is evident that the period until 1990 can be divided into two sharply separated parts. One of them covers the period when our redemption engagements are accumulating and because of this accumulation decrease of debt happens by necessity: obligate redemption of some proportion of the debt. In a prosperous status this period means the years 1984, 85 and 86, and then comes 1987, belonging to the same period yet, but raising slightly lighter conditions.

²⁶ Published in my book: „T. Gyuri története” („The stories of George T.”), publisher: Next-Door in 2009, pp. 182-209.

Character of the other period depends on the success of the former phase, that is, how successful the surviving policy – to be explained later – or rather the effort was. Considerable alternatives for the second period can be drawn only if the surviving period was successful.

1. The period between 1984-87

The 1987-88 period of the economic development should be comprehended as a long consolidation process which begun in 1979, following the Central Committee declaration in December 1978, and which effected continuous results in the advance of the international trade balance. However the hits of the period until now were imposing, it is still to diagnose that they were not enough among the decaying circumstances. **Major part of the results happened from eating up our reserves and that is a single, unrepeatable possibility.** Consequently task of the period 1986-87 are extraordinarily huge, and circumstances for performing them are extraordinarily difficult.

Accumulation of redemption engagements gives an extra weight to the demand that – mostly for increasing our possibilities for international credits – we have to prove an economic policy which can be presented and which aims the balance as it can be testified by the arrangements and their results. Level of surplus demand is determined by the possibilities of new credits expected in the following 3-4 years. If these possibilities remain on the present level or possibly they decrease even more, there will be a demand of a surplus that is over our possibilities given by the abilities of the economy; so we'll be forced to make a series of weighty arrangements tumbling the bases of the economical course by our mind, or solvency can cease in a short time, we have to launch debt rescheduling discussions, undertaking all the related disadvantageous consequences. But if we manage to extend the credit possibilities, maybe the surplus demand remains on the field of reality, and so we should be able to pull through this period without more serious faults. In this case we could get to the years 1987-88 without too weighty loss and damage, and then our engagement duties will ease. As a matter of fact we have two paths to go. One of them can mean surviving, making sacrifices knowingly, but avoiding the more serious faults, the other is letting incalculable processes to happen: becoming insolvent, having long and sharp rescheduling discussions, and undertaking the consequences about which we haven't a rough guess either. We haven't autonomy in choosing between these ways: maybe we can't achieve a credit programme of higher level even if we want to, and so we can't avoid the fall. On the other side it is sure that missing or protraction the surviving-aiming decisions can cause irreparable consequences.

a/ Breaking the present economic processes

It is relative simpler to draft the extremely disadvantageous alternative (and its consequences) resulting explicit and weighty break in the development process. This situation will occur if we can't expanse our opportunities to get credits: when the extra ballast coming from engagement aggregation can't be more or less balanced by having new credits at the same time. In this case there raises a demand for an extraordinary high surplus in the international trade which doesn't fit to the production potential of the country and which can't be performed without decreasing the inland final use drastically. And if solvency stops, dramatically fall of inland final use will happen through a spontaneous process. Namely: through export expansion we can hardly achieve a surplus in the international trade worthwhile higher than the present one. Similarly to the process of the past years, improving the international trade balance can be achieved mainly by moderating the inland final use and the import. Import limitations (towards performing the unreal high demand for surplus) or spontaneous declination of import (in the case of solvency end) lead equally to retrogression of production. All these lead to some process intensifying one another which would finally result a historically momentous fall, back-scrawling of the country. Regression of production would decrease the country production potential. So – because of the necessary further import limitations – production would decline more and more, this would lead to unused capacities and unemployment. While it is a demand of the economy in any state that inland final use should be less than the GDP production, the production potential decrease would need even more decrease in the inland final consumption. And while investment is just 13% in the use of the GDP even now, decreasing the inland final use could be achieved by decreasing consumption, living standard only: by giving up a significant part of our results. There would be a crisis. People would respond the living standard decrease by decreasing saving, maybe by using their former savings, to sustain their former consumption level, compensating growing prices. Social tensions resulted by income and property differences would sharpen. In the lack of goods the balance of commodity and spending power would split seriously. Line-ups would appear again, it would be unavoidable to enter rationing for some goods. Inflation would grow spontaneously and – with lack of goods – it couldn't be controlled. Fixed assets couldn't be renewed for a longer period, our relative lag would accelerate. We would fall back in the rank of nations, our handicap would be almost impossible to make up. Economic crisis would lead probably to political crisis, and its short, middle and long term consequences can be hardly delineated. It is sure that the economical and the political crisis would enhance each other, in short and middle term at least.

In point of the questions drafted we have to dispel the disbelief that rescheduling would ease the situation. Experiences of former rescheduling cases (Poland, Romania and Yugoslavia) show that rescheduling conditions cause 15-25% of decreasing of consumption, life standards rapidly. Consequences of a rescheduling would be extraordinary serious in our situation where we speak not about one but about 3-4 years when our engagements are so high that we can't perform then by the usual mechanism, without external credit resources. So if we can find the way where consumption can be kept on its level in an interval of minus 1-2%, that way must be preferred anyway, in contrast to the other way where surviving becomes impossible.

b/ Survival strategy

*It is much more difficult and doubtful to set the way, where we could live together with our tensions in the years 1987-88 (that is: the period very next to us), without more serious faults. We are not autonomous in setting this way, while as a matter of fact we depend – among others – from the western banks, and the IMF respectively. Now we can't know but rather presume what sum of new credits could be got during the 3-4 years of the top engagements and with what conditions. Tendencies of the change of internal and external circumstances effecting the country performance can't be measured either. All these mean that practical economical governance should be subordinated to a more or less fixed strategic goal, namely survivorship. We have to beware of the possibility of simultaneous urging other priorities that could obstruct the only effort aiming surviving. This needs a uniform action programme. And it is necessary that **political and economic governance support the strategic goal and mobilize people in the widest range. Situation, the demands coming from the situation and the demand of making the surviving strategy understood and making the assigned steps (arrangements) accepted puts the significance of awareness in the foreground; this needs the use of qualitatively different and new methods.***

c/ General state of the economy

Structure of production and realization became extremely import-demanding by the middle 70's, after the generally dynamic growth of a former period. But by the late 70's import facilities narrowed; low import possibilities became a factor of moderation the rise. On the other hand, production and realization structure excluded (on short and middle term at least) the opportunity of a significant export expansion, to reserve or enlarge the former level of import and the former dynamics of growth. So the economic growth had to be subordinated to the interest of international economic balance. Debt service, rising very dynamically, made it insistently necessary that inland final use should be under the GDP production permanently and significantly. We were thinking about this or we could imagine it first in point of increments only, after all a stagnating status of the economy should have to lead to the inland final use be absolutely less than it was former.

The thing is that we substitute the external debt by "internal debt", which has to be amortized or rather compensated in the following years. This debt – as it will be detailed later – applies against the consumption of people and renewal of assets.

d/ Status of the productive basis of the country

Ageing process of fixed assets begun in 1979 and it is permanent since that time. In the stock of equipment the rate of the ones falling to the value of zero is growing sharply. This can be understood, this is something to calculate with if a country has got into a descending process, nearing a bottom point that can't be drawn yet. By the fail of fixed assets of the country probably tensions and difficulties arise in the next years already, unexpectedly in spot and time. Structural tensions can grow, because demands of the external market, the necessary growth of export and – in connection with this – the increase of quality expectations can get into a more and more sharp contradiction without technique and technology being less and less up-to-date, more and more deteriorated. We can't know nowadays yet, when the possibility will arise to speed up export: when and where happens such opportunity in the world, coming out from the recession. But it seems to be sure that chances of utilizing that opportunity will be limited because of pinching of the technical background. At the same time we have to calculate on more and more often breakdowns, production troubles, bottleneck situations in the vertical production process, and after all on situations when failure of fixed assets becomes evident by dramatic events (shorter or longer, more or less serious malfunctions, accidents).

e/ Stock supply

Experiences of the last year and chiefly ones of the current year show that we are eating up our stocks, within them – because of the import limitations – most of our import stocks. However the stock level is very high, the stocks needed for the continuous production and realization definitely decreased severely. Stock supply of production and realization is less and less established from the side of raw materials and spare parts. This state can't be helped in the following years either; and what is more we had to calculate on more unfavourable changes too. This can lead to further doubtfulness in the production and realization processes, can root disturbances of shorter or longer periods.

f/ Living standard

Real wages will more or less equal to the ones of the year 1975. Last years have leaded and are leading implicitly to different tensions, which sometimes limit, sometimes determine our steps in living standard policy in the following years. Losers of the living standard changes are pensioners and people living from wages and salaries; mostly families with more children. Most of disadvantages are carried by inhabitants of the cities, first of all the capital. Value of personal pensions and family supports has been decreased and is decreasing permanently, and it is chiefly the capital population living from wages and salaries, who can't devolve this ballast. Tolerance capacity of this group is tested. It is definitely a separate root of tensions that industrial workers and some groups of employees and intellectuals have usually no possibilities to have extra income: the rigid regulation system of wages and income, narrowing spending power; moderates effusing nominal income chiefly in these groups. Decreasing real wages devalues labour and leads to moral depression just in the case of the most important class and group. Also in this case we undertake tensions, give up results for decreasing the external debt; this will act as an obstructive factor against development in the future.

There can't be named the limits of tolerance capacity in connection of decreasing the living standards. Limits of tolerance capacity can be checked just posteriorly, saying: "this was the point till tolerance capacity could last". In these cases the situation can't turn back any more. Maybe the necessary arrangements of the following years will test the tolerance capacity. This possibility can't be precluded. But it is sure that if we lost our solvency, the necessary arrangements of the following period would break tolerance capacity with dramatic speed. So there isn't anything else to do, we have to trust that unpopular tightening arrangements for the sake of survival will remain within the limits of tolerance capacity; and we have to know that tolerance capacity can be broadened by sound and lucid explanation, reasonable balancing arrangements. Validity of some steps can be understood clearly if they are openly compared to the results of a possible economic crisis.

g/ Possible steps

The situation evolving for the end of 1983 isn't promising, however we have some possibilities to manage the surviving strategy. Possible steps have to be surveyed from the viewpoint of the essentially important question: it must be analysed first of all what conditions we have to fit in the first phase for the international credit resorting programme.

Sudden growth of redemption engagements begin in 1984 already, so it can't be a realistic starting point if we wanted to enlarge the production of the economy (more exactly: the effectiveness represented by capitalist export) so that it be enough for performing all engagements without enlarging import needs. This would need a 15% growth of export income and keeping this level for years, with unchanging import level. Unreality of a solution like this can be clearly seen from the fact that our business done in dollar relation is narrowing this year; consequently surplus can be achieved only by reducing import more than export incomes decrease. So the sober consideration dictates that we shouldn't make "paper plans". We have to see that we shall depend on external resources since we shall not be able to bridge independently the tensions coming from the sudden growth of our redemption engagements. At this discretion we come evidently to the efforts of steps aiming the improvement of economic policy and controlling mechanism, that prove the efforts for quick improvement and consolidation of the balance convincingly, through measurable results. The thing is about two sides of the same necessity: the aim of the right direction has to be presented to the outer world quickly (this is an immediate interest); and for the inner world: implementation will support our long term goals: to achieve a meaningful growing line, long term consolidation of credit standing.

Contradictions between our proclaimed goals, efforts and our proper arrangements, practice (our promises and declarations are not or insufficiently followed by proper steps, arrangements) should be dissolved in an accelerating pace. Our economy managing system, economical control is handicapped by elements, which are adjudged as irrational ones by those from whom we expect external credit resources – and since they are really irrational, they are not defensible. Vitalizing the irrational elements of the economy means unbearable ballast from the viewpoint of international credit discussions.

h/ Gradual cutback of consumption price support

To make the decisions aiming balance oriented economic policy unambiguously believable, redistribution through the budget has to be decreased substantially. It is irrational of its own that different consumption price supports total up to 20% of all consumption, and furthermore in a composition which is illogical. Consumption price support is a tool for stimulate consumption – by the opinion of any sober economist. And this is really true. Consequently, if we support the consumption of the goods which are our more important export pieces, or which can be purchased basically from import only, nobody will believe that we make serious effort to improve external balance. All these lead to the demand that major part of consumption price supports have to end quickly. The significant price support of basic foods (bread, meat, milk, dairy products,); of the household energy, and the district-heating, have to be practically ended. These steps would lead to huge increasing of consumption price level, which would result realignment of real income of different classes and groups. These steps should be accompanied consequently with a very substantial political preparation.

Social impact of consumption price increase depends on how the emissions of nominal wages, nominal income can be planned for compensate the increase of prices. Political and economic interests should be harmonized in this regard since they may to be in conflict with each other. Personal compensation by the political interest: the bigger the better. Namely this makes price increase more liveable for the people. At the same time the wide or full compensation limits the increase of nominal wages, consequently there would hardly remain any resource for improving the efficiency-based distinctions. However there is an imperishable need for that, first of all for the possibility of a nominal emission that can achieve a stimulation in the sectors being the most important ones from the viewpoint of the country export power. Hence the tension coming from a non-full compensation has to be definitely undertaken.

One has to calculate on the necessity of some steps in life standard policy that makes reasonable some solution of some tensions sharpening strongly. Nowadays it can be hardly adjudged how tensions will accumulate in the following years. First of all we have to calculate on fast decrease of real value of personal pensions. On the other hand status of families having more children will intensely deteriorate. We have to calculate on widening the circle and number of those who are in a disadvantageous situation from more aspects. Improvement in the direction of distribution according to the performance, such differentiation of incomes will contribute to evolving the mentioned tensions too. Consequently in the living standard policy there should be harmonized the contradictory demands of differentiation the incomes according to the performance, and improving the status of those who are the neediest. There is no contradiction if we fulfil the two demands from different channels.

i/ Modifying the inner rates of using the national income

Cutback of passive external trade and generating a surplus were achieved – as we stated above – through rolling back the inland final use. As we wanted to save the results of life standard, planning organizations and economy governance were baffled in the direction of choosing the investments, aggregation as the target of rollback steps. Consequently in the following years investments have to be considered again. It has to be decided that rate of investments in the inland final use must possibly remain, and if there will be a possibility – in a prosperous case – for increasing the inland final use, than investments have to share in an equivalent, possibly increasing rate. At the same time the thing is not only keeping at least the level of investments, but also we should guarantee the selective effect of value judgement, regulating role of the market more.

In the course of our arrangements aiming the moderation of investment processes it became almost our regular method to drain the company income or to make it impossible to spend. Arrangements obstructing the use of income at the companies constantly and forcefully take a more and more paralysing effect on functioning nowadays; they preclude initiative activities, and develop a proper type of company directors: the ones who are manoeuvring among regulators and arrangements – instead of supporting selection of leaders of go-ahead type. From the viewpoint of the planned alteration of distribution rates it was necessary to limit the investment spending power to the level of possible investments. But this global limitation makes the production structure rigid, and so it became evident that distribution and production relations are in an open collision. Global drain makes production renewing impossible and it eats up the long term reserves of development.

It is an essential question (just in favour of validating the market effects affecting the investment processes) that rate of investments based on real in-company decisions should grow at the expense of the ones based on state (central) decisions. It is important that companies should undertake and bear whole material and moral responsibility for the investments they perform.

Process of failing production basis until now and as it can be expected to continue will by necessity enforce extending the investments from the years following 1988. Depending of the possible measure of investments allowed by the extremely limited resources, unconditional priority must be given to the replacement and (in a smaller scale) development conceptions urged by the companies and cooperatives, namely where one can calculate on the proven necessity of the development, through their profit interested status and the market needs. But for making the re-start of the investment and aggregation process possible by some more easy-going way, there is a need of changes in regulation and in institutes, for guarantee the serious selection of the imaginative investments, by the value judgements of the market.

Handling the common social consumption is more difficult. In this issue just the most strict retrenchment is reasonable, except for some priorities. Institute expenses should be decreased except for education and the medical sector; so resources should be freed for company investments. Elements of company-like managing (e.g. letting these institutions to have income covering their expenses) should be introduced and extended in a quicker pace and wider range at budget-paid institutions. First this income could cover the economically reasonable expansion of the institute activity; later it could take step by step over the functions of the state support.

The whole of our social policy should be thought over. When we formed the present social policy system and we undertook the concerning duties and determinations, Hungarian economy realised a dynamic growth among the circumstances of general market prosperity. Determinations are simply unacceptable among the present circumstances. This is real for us, if we notice or if we don't. Deteriorating the engagements and determinations can be seen, for example, in our inability in retaining the real value of personal pensions and family supports; and in the long run they are these determinations why we have to decrease continually the real income of those who live from wages and salaries. It is chiefly this issue, where reasonable changes should be made, by solutions which could be performed perhaps without increasing the age limit. It is conceivable e.g. to increase the retired pay by 1-1 % over 55 and 60 years of work respectively, and to increase its maximum from 75% up to 80-85%. Passive phase of life would be much shorter in this case, and this could ease to save the real value of individual pension income.

1.The period between 1988 and 1990

Maybe the period between 1988 and 1990 will be characterised by easing the external pressure coming from the redemption engagements, so there form the conditions, first of all, of continuing and finishing the period of consolidation, and on this base: forming the conditions of economic growth. If we want to be able to calculate on easing of the redemption engagement and so the pressure in the period between 1988 and 1990, we should not only perform surviving in the period between 1984 and 1988, but also to get credits in this period with relative favourable expiration conditions. Their redemption should not increase the redemption engagements for the period 1988-1990, that is the period of high redemptions should not go on after 1987-1988. From the viewpoint of survival it is a solution too, that we push our aggregating debt before ourselves, while it increases more and more. As a matter of fact, this is what happened in the last 1-2 years. But in a situation like that the permanent crisis becomes a long term process, and it makes the relative stability breakable, and the more this period is long, the higher the possibility is that the situation can't be consolidated without a breakage.

One mustn't disregard the necessary and rational standpoint in the period of 1988-90 either; that economic growth has to be subordinated to the demands of external balance by the most severe manner. As a consequence, economic growth can be calculated on so that it can be realised by increasing the production of goods being exportable thriftily. If we wanted to draft the conditions of economic growth in 1988-1990, we ought to compile forecast being rather similar to soothsaying, so it can be hardly undertaken. It can be roughly known, what level of uncertainty we can calculate with. It will excel through the process of recovery from the recession, the well-developed capitalist countries and some of the developing ones what technical and technological novelties will raise and therefore on what markets and by what products will competition be sharper; what markets we will be crowded out from forever; and where we shall have the hope to keep or to expand our positions. Since it is nowadays extremely difficult to measure the changes (especially on macro level), we can aim only some development of our rather weak adaptation skills.

Demands we can fulfil – in a more or less fortunate case – can be outlined by some more specific way. Our primary goal has to be: consolidating out breakable balance, easing the vulnerability of our economy. As an elementary tool for that: our currency reserve, having fallen to a crucial level, has to be refilled up to a sufficient extent. This could create the conditions of developing out manoeuvring ability again, making us able to weather the less or bigger unfavourable events without any stranger disturbance of the economy. This means practically, that our current resources in the years of 1988-1990 we have disposal of, we have to apply first of all to constitute savings, and filling them. As a final consequence: dynamic growth of inner final use can't be realistically calculated on within a foreseeable period.

It applies as the task being the most serious, attached to the most convulsion that we should enforce the real increase of economic production, the structure transformation according to economic criteria. It is this task which requires the most radical change compared to our methods till now. We have to break with different budget redistribution methods that are, in fact, equalizing the status of companies, cooperatives: now we drain the income of the ones working well and so we obstruct their development possibilities, and at the same time we support the weak ones and so we conserve their business. We must allow the effectiveness driven income differentiation of companies, cooperatives. Our supporting policy should be thought over deeply and we have to give economic rationalism more and more rope. We have to realize that this can cause transitional loss. It is highly probable that we'll not be able to compensate cutback, rolling back uneconomical production by developing economical production in the same pace, consequently we have to calculate on some shortfall of production and realization in a transient period. This can hardly be undertaken until 1988 because of the breakable balance, the vulnerability of the economy (sorry to say, we need uneconomical export too), but in a situation being less taut maybe we can have some savings also for undertaking some

temporary losses, extra expenses of structure alteration. In this regard we speak eminently not only about economic issues. We have to tackle with the task of helping those who become temporarily unemployed, assuring their living until they resettle to an occupation, or rather enabling their re-training, changing their profession.

In the period of 1988-1990 we touch – in a favourable case – that bottom where some economic development can begin, and the conditions of the start of continuous growth of inner final use can be worked out. After this bottom point we can restart the updating process of fixed assets, and also some modest increase of life standard. This can come true in a favourable case, that is if proper conditions will be fulfilled. A list – not a complete one at all – of these conditions can be as follows:

- Possibilities of increasing the export to capitalist countries run on a way that can be utilized by us too; there ends or maybe turns back the process when the rate of our participation in the world trade decreases.

- A sensible growth of export supports the possibility of increasing the import, and that makes possible again, that (modestly, considering the viewpoints of reasonableness) we establish involving external resources, or rather that we perform debt service from surplus just in a smaller proportion.

- Order of economy control creates an overall economic environment which enforces the growth of efficiency, increase of the effectiveness of production, realization and aggregation process.

- Rates of income and rates of consumption prices lead to a reasonable consumption structure, consequently the interests of export and the ones on the balance of the inner market can be harmonized well.

Forming of the conditions listed above depends partly on our decisions, but partly it can be the result of processes being independent of us. But anyhow the external situation develops, we have to perform the steps depending on ourselves, because even by unfavourable situations it is easier to do with the events if economy is operated by the viewpoints of rationalism. Economical rationalism is a long term factor of stabilization among any circumstances.

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In the first half of the 80's – years before writing the essay above – there has been an episode without any antecedent and consequent issue. We got an invitation for a whole day meeting to a smaller hotel on Szabadsághegy: one of the Buda hills. While gathering I saw all the government members on the level of ministers and state secretaries. Then Béla Csikós Nagy²⁷, president of Prices' Office arrived. In his inaugural he told that he had got a mandate to work out a complex plan to solve economical tensions. He drafted an idea with the reform of prices, wages and currency, and a large investment project. Finally he added that these have to be performed by additional external credits. I didn't listen to the first comments because I was trying to formulate that the whole idea is abortive because it can't be financed. I told my opinion; Csikós Nagy responded that we shouldn't open a discussion about it: we shouldn't divert the attention from the substantive issues. Then Madarassy got a word in, saying, that there can hardly be anything more substantive than the issue told by Tenner. Csikós Nagy seemed not to hear that. (And I was furious.) After lunch (I couldn't eat because of nervousness) I went out to have a walk and to smoke. Somebody was hooking on me. It was Csikós Nagy, who asked me to explain precisely what I said. I can return the whole, what I told him, rather precisely, I think.

Debt service engagement of Hungary (the stock amortization and interest together for the given year) was about 1-1.1 billion (10⁹) dollars at that time. This sum had to be put up from external credits anyway, because even if one could calculate on some surplus through external trade and tourism, this was usually swallowed by our (mostly obligate) crediting in rubel destinations and for some developing countries. Hungary's credit taking capacity – considering the extent and economical state of the country – is, of course, limited: getting a consortia credit takes about 3-4 months and we can organise only one at the same time. Sum of a credit can be 300 million USD (exceptionally 400). Consequently it is realistic when we calculate on 1 billion USD form new credits in the best case. Compared to this all of conceptions calculating on realizing remarkable further resources are unreal.

Csikós Nagy was noticeably shocked, and I was wondering that he had dared to enter into this task (for which, as he said, “an extra personalized mandate was given by the uppermost party organisation”) being such uninformed. The afternoon consultation was led by Csikós Nagy as if we hadn't had a talk. Later there was no continuation.

Another episode happened someday around September 1986. Lajos Faluvégi, deputy prime minister, president of the State Plans Committee, was holding a harmonization meeting in connection with the proposal of the economic plans for 1987. Faluvégi, after a short greeting, gave János Hoós (state secretary of the Plans Office) the floor and he left. Hoós reviewed the main budget targets and opened the discussion. It was Attila Madarassy who had his comments first. He explained the most important principles to be followed by compiling the state budget and he emphasized the contradictions between the plan and the budget point by point. Finally he proposed “to listen to Tenner who would delineate the standpoint of the National Bank”. I got the word immediately and, in a presentation of about 20 minutes, I demonstrated that there is such a huge gap between the plan and the real possibilities, that consequently the proposed material can't be considered as a basis for the discussion. Since the plan issues had been negotiated by the presidency of the Bank before (on the basis of my proposal), I had all the data and arguments in my head, there was no need to use my

27 He had been brought out of the prison of war criminals by Zoltán Vas in 1946. His works before the war: Literature of the German patriotic economy, Budapest, 1939., Three Achilles-heels of the Soviet economy, Szeged, 1941., Great-space-economy, Budapest, 1942., Relations between race and economy in the new German economy-theoretical literature, Budapest, 1940.

notes. My remarks were listened in numb silence; great majority of the participants hadn't faced the rough picture of external financial balance (or rather imbalance) before.

Duration of the discussion was about three hours – almost everybody had comments. Then Hoós summarized the conclusions. His summary was (as my memory could save is): “Then, Comrades, we know, what the task is now. The cabinet meeting will be on Thursday, so the cabinet members have to receive the material till Wednesday. Therefore everything has to be finished until 10 pm today, so that printing and binding be ready by the morning, because it has to be handed at the ÁTB²⁸ secretariat by 9 am. Is everything clear, Comrades? Has perhaps anybody a question?”

I raised my hand and I told: “Comrade Hoós! I can't believe that you have distilled from the negotiation of three hours only that when the material has to be finished! I announce that the National Bank disagrees and I send you a text about it immediately.” Hoós didn't answer: he closed the meeting and rushed out.

Returning to the Bank I dictated the text of the Bank's disagreement and called Tímár. The secretary said that she would call me back because the boss is just telephoning. After a quarter hour I could get in. Tímár welcomed me gruffly, saying: “for what the hell you had to pick a quarrel with Hoós?” I wanted to answer but Tímár continued: “Don't answer; this was a rhetorical question, or rather a serious warning, got it?” “Yes, I do” - I replied. Tímár read my text, and he deleted a sentence saying that he would explain it orally.

I mention a third episode finally. There was a conversation in a narrow circle on the balance state of the country. Participants were only: Ákos Balassa (head of department at the State Plans Office), Attila Madarassy, László Ballai (head of department of economic policy at the party centre), Miklós Németh (secretary of economic policy in the Central Committee) and me. After a long negotiation there had been accepted the valuation explained by me very detailed, namely that a plan calculating on the raise of debt mustn't be accepted. Miklós Németh promised that at the next meeting of the Political Committee he would stand for that. I heard on the next day already that Németh, against the opposition of several people (I don't know who they were), was standing for further indebtedness.

Meanwhile I had to see with fear that in the economic cooperation among Comecon countries cracks more and more, wider and wider. There rumoured among export trade professionals in the 60's and 70's already that Czechoslovakian companies are sharply competing with the other socialist countries on the capitalist market, and they are unwilling to cooperate. This was disadvantageous for all, because it pulled prices down, raised the need of supporting the export – however it was rather high already. From the beginning of the 80's trade with the Soviets was handicapped that export goods produced for them – as they demanded – contained a higher proportion of parts imported from capitalist countries; on the other hand Soviet Union's debt for Hungary was more and more growing. To decrease transports: this wouldn't have been a possible reaction, because who else would have bought these products of a low standard? (There were some countries in South-America and Africa, who bought some, but on tick, of course, because, when they had money, they bought goods from the capitalist countries.) At the same time the Soviet Union decreased the oil quota year by year. I had to see rather despondently that socialist internationalism, socialist solidarity, cooperation among socialist countries – became exhausted catchwords. At one of my discussions in Moscow a yonder colleague said in the face: “You are not solid to us, you are demanding our help while living standard is much higher there than it is here, let goods-supply alone.” There was a substratum of truth in that, so I made no reaction, better to say I was shutting up, gawping at my papers. This issue arose even at a meeting of the Committee for Economics but Marjai²⁹ was not willing to make any remark about it.

Leaders knew, of course, the situation. Consequently I didn't wonder either that among leaders of higher status (let the ones of lower status alone) it was more and more often that “the Russians” came to question in a pejorative manner, sometimes watchfully, sometimes rather openly. The contacts were probably not rated by Moscow as cloudless ones either; so in the most critical days of the liquidity crisis it was just a Soviet bank that quitted a deposit of \$400,000,000. Bank of China, coming to know the liquidity difficulties of the country, speedily located a bigger amount of deposit at the Hungarian National Bank, without expiration date. (It can't be excluded that this last straw saved the country from the bankruptcy.)

As a matter of fact, Hungary joined the International Monetary Fund and the World Bank in two phases. First Hungarian economic data had to be clarified and presented accordingly to the international standards, and then there were the first negotiations starting about the conditions of the first standby credit. Meantime, as usual, economical plans (being far from the real situation) were prepared fitly the traditions. Faluvégi, president of the State Plan Committee, vice prime minister pushed these paper-plans through (by his extraordinary violent manner). After all he squeezed the opposition of indebtedness policy out from decision making mechanism.

From the middle 80's reasonable arguments were changed by different rhetoric phrases. (This happened earlier too, but not so markedly.) It was at the negotiation of one of the yearly plans that Faluvégi gave the order, that the plan should mark “break-out points”. When Balassa (head of department) told this, it raised a laugh – modestly to say – and somebody said: “Madness will break out of us”. It never turned out what these break-out points were and where they were. Tittle-tattle was that the country uses the foreign credits exclusively for financing those investments which return quickly by enlarging export capacity to the capitalist countries. A proper type of credits was designed for this reason.

28 State Plan Comitee

29 József Marjai deputy prime minister

There were some dozens of firms that even got a credit of this type. But (until 1988 at least) there was no interpretable information on the real results of the use of these credits. At the companies having got the biggest amounts of export generative credits no audit was performed; or rather they averted the audit. Argument was always the same: the fulfilled investment was just the part of a great programme so it can't be judged independently – but one could never see any finished, completed development.

Joining the international financial organisations, as it could be expected, reopened credit markets for Hungary. Catching this opportunity, the country borrowed all credits with acceptable conditions. Using the credits was mostly to pay the amortization and interest of the former credits, and financing the common social consumption. The debt trap – that is, when the new credits cover the debt service less and less – was developing gradually, but in an accelerating pace.

III. Transforming the banking system

At the negotiations – at the ones I attended, at least – there were no IMF claims on any systematic changes of the economy. Maybe there was a single exception when they wanted the question of bound and free prices to be included into the letter of intent. Later the government – quasi recognising the importance of corresponding with the international trends – transformed the fiscal system, introduced the taxation of personal incomes. This could have some effect on increasing the efficiency, but this could not be realised – because of the reasons mentioned former. Not even an allusion could be heard from the IMF delegations members as if they would not be satisfied with the single-level banking system. They informed the Hungarian leadership about this claim of theirs by a different way. On the Hungarian part welcome was surprisingly positive. Faluvégi and his political surrounding could feel the “over-power” of MNB (the Hungarian National Bank, standing always up for financial balance, monopolising credit policy and realising a restrictive practice in crediting affairs), I guess.

There were some signs of the loosening attempts already earlier as well. MNB, as an organisation of country-wide competence, belonged directly to the Cabinet Council, supervision was performed by the President of the Cabinet Council. Faluvégi and later also Hetényi – as the members of the Cabinet Council – made several trials to get the right of supervision. Tímár, member of the Central Committee, kept these trials off. There came a decision of the Political Committee into existence on transforming the double-level banking system – despite the MNB protest; it was Hetényi³⁰ who was delegated to manage the process. Leaders of MNB credit department and mostly deputy chairs dealing with the credit areas especially welcomed the changes enthusiastically: they expected themselves to become bank-directors with growing income and – as they would dispose huge amounts of money – to get into the uppermost-class. Destructiveness of this step occurred promptly when new banks appeared. Credit expansion started up, indebtedness continued. MNB – turning against almost everybody - fought against the irresponsible money issuing, then the Németh government changed the all bank management. Following the wave of privatisation after 1989, followed by the bank consolidation qualified inescapable by the Antall government: these were on one of the sides; and single bank leaders' sudden growing rich missing all reasonable explanations may have been tight in a context on the other side. A statement was made in the early 90's the frozen credits (not being repaid), from that viewpoint, how and when they were given out. It was clear from this that only 40% of credits are the frozen ones had been originated from the era before the political transformation; the bigger half had been outsourced by the new commercial banks already. (Ferenc Bartha, former president of the Hungarian National Bank – former: secretary of the Economic Committee run by Marjai – and Sándor Demján, president, general director of the newly established Hungarian Credit Bank, today the leaders of the company Trigránit, are among the richest.)

While transforming the banking system was on its way, one day Tímár's secretary called me saying that the boss wants to see me at 7. Tímár was morose and markedly nervous. “Read these” – he said and gave mi a file. First material was the report of the head of Accounting Department, saying that the so-called dealing-room (fulfillers of the currency conversations) had wastage of \$ 400 million in the last quarter year. The report had all the data detailed, by days and transaction. The other material was the “answer” of the head of the dealing-room. Essence of the answer was that there is no proper wastage: discrepancy arises only because of the difference between the registration system of the dealing-room and the one of the Accounting Department. (This “argument” was proofed by a long and difficult mathematical deduction.) I told Tímár that I feel the whole deduction incorrect, but I have to go through the whole if I want to give a correct opinion. Tímár asked me to be ready by next morning, and he told me not to mention it to anybody.

I can hardly remember the details, but I can reproduce the essential issues concerning the merits of the case. Principally: it was theoretically impossible to have any wastage, because there was a contract between the dealing-room and a leader British company, saying that we follow their business activities, in return we share our profit with them, and they recompense all of our incidental wastages. This agreement was set for a proper extent of business value. When the MNB Presidency was negotiating the proposal, the head of the dealing-room said that he was going to follow the

30 Minister of Finance

British company in the business activities over the given extent as well, and the profit of these over-extended issues should not be shared with them. Presidency accepted the conception.

Answer of the head of the dealing-room allowed having very interesting conclusions. First of all: it turned out those activities causing all the wastage was in connection with only two of the partner companies: there were no transactions causing wastage with any business partner but with these two. There was not a single transaction causing wastage among the issues by the “following method”: however this is absolutely improbable at thousands of transactions. Having browsed the report of the Accounting Department line by line, I could find that all losses had been re-booked by the British company, for the account of one of the other mentioned partner. So the British partner could be rid of the duty of recompensing: the loss had to be covered by MNB. And obviously British could find the way to thank for the kindness. Next morning Tímár was listening to my report (proofed by my own, hand-written demonstration) despairingly. “What should I do?” - he asked. Following my advice, he wrote on the file: “C. Fekete!³¹ This is your speciality, deal with it. T.” The story has no continuation.

IMF claims (advices, as they said) were reasonable because they were thinking in a “banking” manner: they wanted to ensure the return of their credits, they urged increasing the efficiency of production and distribution, and they wanted a custom structure of that kind where basic import demand could decrease so there could be more goods for export. Behind the devious words there was the consideration that price of home energy should rise (driving people to practice economy), and prices of fundamental foods should be significantly higher (causing consumption to decrease, letting more goods to be exported). IMF intentions were in conflict with the party's principles concerning the living standard. Kádár declared that “no plan can be accepted without at least 5% of increasing then living standard. Less increase can't be felt by people”, and he added: “if you, comrades, can't make a plan like that, I will find those who can”. And he could really find these “comrades” and then these “comrades” found their helpers. Also János Fekete “understood the voice of era”: he visited Kádár to undertake financing the plan. Indebtedness continued.

What followed next – this is the recent past already.

IV. Conclusions

Even if diagnosis is correct, it is not enough to deduce the appropriate therapy. I am going to perform the impossible: to summarize the thoughts I have been dealing with for decades, in connection with the economic efficiency of the era of transition from capitalism to socialism.

1/ I think: Marxist reproduction theory is unconditionally working in this period of transition as well, and what is more: this theory can be considered as a generally valid one. I have explained (presenting on the basis of Marx's double-sector model) in my Ph.D. dissertation that – even by continuous extension of the organic composition of capital – there can be a way of economic growth where consumption is maximal. My friend Péter Gerő helped me by mathematical proofing that the model can be operable. The “rule of methodical, well-proportioned development” (worded by Stalin) is based on Marx's reproduction theory. It means in practice that the most forceful growth has to be in the production of the production equipment that produces production equipment. Then there comes the production of production equipment producing consumer's goods. Producing consumer's goods is the third in the sequence order.

While breaking with this natural order – one of the essential items of the Marxist economy –, as they had taken no notice of one of the essential theses of Marxism, process of revolution was broken and the transitional economy got to the status of stagnancy. These circumstances made the grounds of the existing system questionable, while it had not performed its main function: that development of production forces should extend the one of capitalism. The socialist group (one sixth of the world, at the beginning of the fifties) could compete with the capitalist world by economy, by the development capability of technology, and, on proper fields, even in technology. This one sixth part of the world could be self-sufficient: it did not depend on capitalist world. Without breaking the battle for the superiority, even the arrears in living standard could have been made up.

2/ Compromises occurring in just a given moment should never be considered as ideological momentums. This rule was known even in the ancient Rome: they said “Quidquid agas, prudenter agis et respice finem!”³². But as I saw: whenever we had to face any difficulty or contradiction and somebody had some proposals: these proposals aimed always the short term solution. And when a party order was born: it became automatically the part of the ideology: a doctrine that couldn't be disputed. This was the very process on Imre Nagy's conception, and even more: on the economic reform by Nyers. Those who got to any conflict with the conceptions were replaced, forced to background. (Some lucky ones could remain in the second-third level of economy government: they could tell their opinion, they could argue – in a closed sphere... sometimes they could even be listened to.) International critique could not make the leaders to re-think their steps either. Their reactions were “pragmatic”: they slowed down, stopped the transform process. So “reform” was paralysed: leading to a combination with all disadvantageous consequences, without the progressive effects.³³

31 János Fekete first deputy president of the National Bank.

32 „Anything you do, act sense and considering the goals!”

33 It was told me some day in the 60's of the past century by my friend Miklós Békés, a soldier of the Red Army: „Greatest mistake

3/ Key issue of the economic policy of the transitional era was: development in the possible widest sense. Production of modern goods demands a fitting up-to-date production technology and logistics. And the well-organized production specifies the roles of the participants: workers, technologists, engineers, managers of raw materials and stocks. Discipline of working, its intensity and quality, or rather the system of requirements turns into a capability that forms the hierarchy of activities according to their difficulty level (knowledge and skills needed, commitment and diligence). Nothing else can be the basis of distribution according to the quality and quantity of work, distinction among wages and salaries. The one who doesn't perform her/his job entirely gets backwards in the hierarchy (by decreasing income) or will lose the job. By the means of development (if you like: accumulation by growing organic content) that is the unceasing growth of productivity it is possible to avoid the permanent shortage of manpower, and what is more there arises the labour force reserve (provisional, transitional unemployment) being necessary for the quick and flexible adaptation to the needs (market demands). Intensive economic growth (with the growth of the productivity, being its fundamental driving force) creates the resources that are necessary to handle the transitional unemployment humanely (supports, retraining, flat reserve necessary to the mobility etc.).

In the transitional era – contrary to the rather common vulgar misunderstanding – unemployment can't be a threatening issue, as I never considered the legal concept of “dangerous vagrancy” and its perpetrators' punishment reasonable. Until men are prisoners of division of labour, there will be always some legitimate discontent in connection with work, working circumstances, its compensation. It depends on the blind fortune in many cases whether one gets a job according to her/his knowledge and skills, which also please her/him. Essential task of a mobility facilitating system (including frankly undertaking the transitional unemployment) is helping the employee by retraining, developed work placement, meaty information, to find the job which fits her/him the best.

Economy-policy of the Kádár period, contrary to the viewpoints above, restricted the investments and the growth of productivity, inhibited differentiating the wages according to performance (by the depressed wage level) and real unemployment (by transforming it to “jobless state within doors”), and so it destroyed working moral and obstructed the opportunity of flexible adaptation.

VII. Afterwords

How could we summarize the essence of our message?

The events of 1956 were followed by a period of consolidation, lasting about the early 60's and being connected to the name of János Kádár. By the end of this period János Kádár was accepted (and what is more: later he was also popular) – this can't be questioned. When Kádár died, there were long queues at his bier on the Jászai square for some days, from morning until evening. (And spontaneously, without any central arrangement: actually contrariwise, because the party, where leadership turned into a more and more open counter-revolutionary direction at that time already, tried to withhold this multitudinous and, as a matter of fact, unexpected manifestation of the sympathy for Kádár.) In November 1956 the rejection against Kádár was almost absolute; when he died, his picture in people's mind was the one of the greatest politician of the century. What he could thank this unique awarding to – however he had, as likely as not, greater role in the fiasco of the era labelled with his name, than it would have been justified by the circumstances?

Kádár recognised, that people don't want the stale and barbarous economic and out-of-economy pressure of the capitalist era of Horthy, and nor the production principle of the Rákosi era, the expansion of a strong pace, associated with obligate restraining in consumption (demanding temperance and sharp discipline – in principle at least, because in the practice people offended the severe demands wherever they could). Kádár detected precisely that people do want to eat “the gold egg laying hen”, and he made efforts to fulfil this desire.

By the end of the 60's Kádár achieved to be more or less accepted abroad, and here at home he occupied the *political centre*. Also his personal capabilities were playing a role in that evidently: his puritanical behaviour, his simple manner of speaking (which was, additionally, characteristic, and could be parodied by a likeable way). But the basic factors of his successful popularity were: the substantive political steps: allowances, toleration of nationalist streams (the three “*ű*” of Aczél), legalizing of passive resistance (“those who aren't against us, they are with us”), quiet overshadowing the class approach (ending origin based distinction at university admissions – this seemed to validate the democratic principle of equality but practically it favoured the ones who had better family background). This was a *centrist position*, intensifying the philistine sense and practice on all fields of social life, beginning with economic policy (let's consider the corporate economic panels, or supporting the backyard, being far from serving always the socialist development). This policy neglected expansion, loosened the necessary demands of efficiency, and it was leading straight to the fiasco. The party run by Kádár, with its membership of almost a million, was not a vanguard detachment but attendance of the daily want of people.

Neither the Kádár era, nor the beyond capitalism transient era can't be interpreted entirely without comparing it to the period after the fiasco, the decades of system change.

of Rákosi was that he put in prison not only fair communists but also stupid and unfair ones, who are now, in the Kádár period, freely mousing as martyrs of the Rákosi era.”

By the privatization following the system change, one and a half million of workplaces passed, half of the population of active age became unemployed, pauperization became multitudinous, social tensions sharpened extremely. Deteriorating in the culture and consciousness, penetration of barbaric beliefs, hopelessness and all of its accompaniments demonstrate exactly, what a historical disaster the system change was from the viewpoint of development. Hungary, having pushed to a semi-colonial status, hasn't even the faintest chance to rise, getting out of the debt trap. (What else: debt of the country is five times more than it was in the Kádár era.) There remains the perspective to vegetate – by oxygen dosed very-very barely. Today nostalgia for the Kádár era can originate from this.

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