

HUNGARY AND THE USSR, 1956-1988

Kadar's Political Leadership

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Contributions in Political Science, Number 227



GREENWOOD PRESS

New York • Westport, Connecticut • London

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The Defeat of the Uprising and Kadar's Installation as Hungary's New Leader

At dawn on Sunday, November 4, 1956, the Soviet army launched a well planned and fully coordinated attack on the Hungarian capital and on all other important cities. At 5:30 a.m., Imre Nagy personally broadcast this fact, which by then was obvious at least to the people of Budapest. They had been awakened by the thunder of a massive artillery barrage and by Soviet jets flying overhead. Nagy's message was aimed not only at the Hungarians but "at the entire world." In his brief and dramatic announcement, Nagy also stated,¹ "Our troops are fighting! The government is at its post."

Nagy's words were translated into several languages and were repeated every two minutes. While Imre Nagy and other government officials were still in the Parliament, key military personnel such as Minister of Defense Pal Maleter and Chief of Staff Istvan Kovacs, were not at their posts. This was revealed about a half hour after Nagy's initial announcement. Nagy requested on the radio the immediate return of Maleter and Kovacs from the Soviet military headquarters. They had gone there at 10:00 P.M. the night before to continue negotiations regarding the withdrawal of the Soviet army.² Maleter and Kovacs were unable to return home because they were arrested by the³ Soviet security forces in the midst of the negotiations.

The part of Nagy's message, "Our troops are fighting!" was somewhat an exaggeration. According to Major General Bela Kiraly, commander of Budapest, "the defense perimeter around Budapest could secure the government a few hours' or, at best, a day's delay in case of attack." The soldiers and the freedom fighters who were manning the defense lines were instructed not to fire at the Soviet troops except in "an ultimate emergency," to avoid giving the Kremlin a pretext for an attack. However, Kiraly claimed that even when the attack was already in progress, Nagy would not allow the issuing of an order for general combat; therefore the Hungarian units never received a clearcut command to fire on the invading Soviet army. Even when the Soviet forces were already approaching the Parliament, Nagy said, "Ambassador Andropov is with me and assures me there has been some mistake. The Ambassador and I are trying to call Moscow."⁴ But there was no mistake; a Soviet tank column headed directly toward the Parliament.

Imre Nagy and the Communist members of his government and some family members fled the country and received asylum in the Yugoslav embassy. Cardinal Mindszenty found refuge in the American legation. Tildy went home, while Istvan Bibo, the National Peasant Party's representative, remained in the Parliament. This little-known professor from Szeged held a last-minute news conference while the Russians were already inside the building:

Hungary has no intention of pursuing an anti-Soviet policy. The popular justice on the streets as well as the appearance of the old conservative forces could have been stopped by the new government in a very short time, and the assertion that a huge foreign army had to be called or rather recalled into the country for this purpose, is cynical and irresponsible. On the contrary, the presence of a foreign army in this country was the main source of unrest and disturbance. I call on the Hungarian people not to recognize the occupation forces or the puppet government which may be set up by them, and I call upon you to use against them every means of passive resistance.

Bibo's assessment of the situation was correct. Fighting against the overwhelming power of the Soviet army was hopeless. Sporadic armed resistance continued for a few days in and around Budapest, and it flared up in some parts of the country. But on the whole, Marshal Konev had been correct in his estimate to the Presidium

that it would take "three days" to put down the "counter-revolution."

Radio Kossuth went off the air at 8:07 a.m., and there were no cohesive broadcasts on its frequencies until 9:00 p.m., when it was already in Soviet hands. At 5:05 a.m., in a broadcast through the facilities of the Soviet army's radio, Janos Kadar announced the formation of the Revolutionary Worker-Peasant Government and the program of the new Kadar government. The government consisted of the following members: Janos Kadar, premier; Ferenc Munnich, deputy premier and minister of the armed forces and public security forces; Gyorgy Marosan, minister of state; Imre Horvath, minister of foreign affairs; Istvan Kossa, minister of finances; Antal Apro, minister of industry; Imre Dogei, minister of agriculture; and Sandor Ronai, minister of commerce. The program of the new government was given as follows:

1. To secure our national independence and our country's sovereignty.

2. To protect our people's democratic and socialist system against all attacks. To protect our socialist achievements and the guarantee of our progress along the road of building socialism.

3. To end fratricidal fighting and to restore internal order. The government will not tolerate the persecution of workers under any pretext whatsoever for having taken part in the most recent events.

4. To establish close fraternal relations with every socialist country on the basis of complete equality and non-interference. The same principle is to govern their mutual economic relations and mutual assistance agreements.

5. Peaceful cooperation with every country, irrespective of its social order and form of government.

6. To raise quickly and substantially the standard of living, in particular that of the working class. Provide better housing for the workers. Factories and institutions must be enabled to build apartments for their employees.

7. The modification of the Five Year Plan, changing the methods of economic management, taking into consideration the capacity of the country, so that the standard of living may be raised as quickly as possible.

8. The elimination of bureaucracy and broadening of democracy in the interest of the workers.

9. On the basis of the broadened democracy, management by the workers must be implemented in factories and enterprises.

10. To develop agricultural production, abolish compulsory deliveries and grant assistance to individual farmers. The government will firmly liquidate all illegalities in connection with cooperatives and redistribution of land.

11. To guarantee democratic elections in hitherto existing administrative bodies and the Revolutionary Councils.

12. Support for retail trade and artisans.

13. Systematic development of Hungarian national culture in the spirit of our progressive traditions.

14. The Hungarian Revolutionary Worker-Peasant Government, acting in the interest of our people, working class and country, requested the Soviet Army Command to help our nation smash the sinister forces of the reaction and restore order and calm in the country.

15. After the restoration of peace and order, the Hungarian government will begin negotiations with the Soviet government and with the other participants of the Warsaw Treaty about the withdrawal of Soviet troops from Hungary.

The Kadar government consisted of those Communists who had been at one point members of the Nagy government, with the exception of Sandor Ronai, a former pro-Communist socialist. In his introductory remarks, Kadar implied that representatives of other parties as well as non-party persons might be added to his government. Kadar accused Imre Nagy of weakness for allowing counter-revolutionary forces to infiltrate the "honest mass-movement of the people" and thus threaten the "achievement of the people's state." He strongly condemned "the Rakosi and Gero cliques for grave mistakes . . . that justly made the workers dissatisfied."

In many respects, Kadar's fifteen-point program was in line with the demands of the early days of the uprising, but in view of the overwhelming support for the anti-Soviet uprising and rejection of the monolithic rule of the Communists, point fourteen of the program was

unacceptable to most Hungarians. This point made it obvious that Kadar was speaking in the interest of the Soviet Union and was trying to give the appearance of legitimacy to the invasion. With the Stalinist Hungarian Communist leaders ousted by the Kremlin, Khrushchev's choice for a "reliable" Hungarian leader was limited; thus Kadar was selected to be the Soviet mouthpiece.

Kadar was a relatively unknown quantity in Moscow, and at times he appeared to have acted in concert with Nagy, but he had in his favor his genuine working-class origin, his long-time Party service, his enduring loyalty to the Party, and his imprisonments during the Horthy and Rakosi regimes. He had made a good impression on the Chinese leaders at the 8th Party Congress, and neither Tito nor Gomulka had anything against him. Still Khrushchev had doubts.

Khrushchev himself revealed that he would have preferred Ferenc Munnich for the post: "I could deal with him better than with Kadar. Munnich was a cunning and battered old wolf who had been through the Hungarian revolution with Bela Kun. He had lived in the Soviet Union for a long time, and I thought he was better prepared than anyone else to deal with the problems that were still plaguing Hungary.¹⁰ Evidently, Khrushchev had personally known Munnich; in 1958 he reminisced, "In 1930, when I was studying in the Red Academy, he [Munnich] was working in Moscow. We received military training together as members of the Moscow-Proletar division. We served in the same platoon and even slept in the same tent."¹¹

Munnich, the seventy-year-old veteran Muscovite Communist, opted out of the leadership position because of his age, claiming that he was out of touch with recent Hungarian developments. Munnich had had numerous diplomatic assignments, from 1954¹² to 1956 in Moscow, and from August 1956 in Yugoslavia.¹² During the immediate postwar period, Munnich had been the chief of police of Budapest with Kadar as his deputy. It appears that Munnich must have recommended Kadar to Khrushchev. Khrushchev did not have much time to make his selection, and there were few other possible candidates besides Kadar.

Thus Khrushchev, somewhat reluctantly, selected Janos Kadar to head the Party and the government. But Munnich was given the two most important portfolios: He was put in charge of public security and the military. Khrushchev knew that Munnich would not only comply with Soviet instructions but he would also ensure Kadar's full cooperation. Then the Hungarians and their Soviet sponsors drew up the program for the new government.

In order to gain labor support, the program promised the following: higher living standards, more housing, less bureaucratic management and even the retention of the Revolutionary Councils. To secure peasant cooperation, compulsory deliveries were abolished, and the illegalities in the sphere of the collective farms were to be eliminated. The program even spoke about allowing the operation of small private businesses. Strangely, there was no mention of civil liberties, and nothing was offered to the intellectuals. Kadar must have given up on the intelligentsia, but he expected the workers to rally around the Revolutionary Worker-Peasant Government.

For the sake of appearances, it was noted that the Kadar government was formed in Szolnok, in Eastern Hungary, and not in Uzhgorod.¹³ By the time Kadar and his entourage reached Budapest, on November 7, 1956, the city had been secured by the Soviet army. Kadar's responsibilities were twofold: the reorganization of the shattered Communist party and the revival of the damaged Hungarian economy.

Kadar tackled the reorganization of the Party first, since he believed that once the Communists were back on their feet, they would promote production. The Party's organization was wrecked by the uprising and, at the end of November, the Central Office could account for only 37,818 members. As soon as it became evident that the Kadar regime had the full support of the Soviet Union, Party membership increased rapidly. Those whose livelihood depended on the Party were quick to rejoin. On December 17, the membership was at 84,150 and by the end of the year it rose to 101,806. By June 1957, the membership was up to 350,000. Still, this figure represented only 40 percent of the membership of the Hungarian Workers' Party before the uprising.¹⁴

Although most supporters of Imre Nagy dropped out of the Party, many of Rakosi's supporters remained. After November 4, Kadar appointed a new eight-member Temporary Executive Committee which included: J. Kadar, A. Apro, B. Biszku,¹⁵ L. Feher, G. Kallai, K. Kiss, G. Marosan and F. Munnich.

After crushing the armed uprising, the Soviet army was in control of the streets and strategic points, but the industrial plants and factories remained under the jurisdiction of Workers' Councils. In some huge industrial plants, Soviet tanks moved into the yards, but they did not interfere with the workers. In other

factories, the workers posted their own armed guards at the gates. When the Communist functionaries attempted to enter, they were forcibly prevented.

Workers' Councils and other revolutionary councils had been legitimized by the Nagy government, and the leading role of the workers was also affirmed in Kadar's program. But the workers adamantly refused to cooperate with Kadar. The Soviet army had defeated the armed freedom fighters, but it was an entirely different problem to get people to work.

Before November 4, the various workers' councils and committees had little success in coordinating their activities. After November 4, the Writers' Union was the first group that managed to bring different organizations together to condemn and oppose the Soviet invasion. On November 12, the Writers' Union spearheaded an anti-Soviet and anti-Communist movement that was joined by a series of other organizations: the Academy of Sciences; Associations of Musicians, Artists, Performers, Screen Actors and Architects; Employees of the Radio and Telegraph Agency; and the United Students' and Intellectuals' Association. The members of these distinguished organizations issued a joint statement in which they expressed their desire to build a Socialist Hungary but to do so without any Soviet interference. The interesting part of the document was that under the existing circumstances, the intellectuals rejected the divisive multi-party system and advocated national unity through the democratically elected Workers' and Peasants' Councils.¹⁶

On November 13, several Workers' Councils followed the lead of the Writers' Union. They sent delegates to the United Incandescent Lamps Manufacturing Plant (*Egyesult Izzo*) in Ujpest, an industrial suburb of Budapest, to organize a broadly based unified workers' council. A representative of the Writers' Union submitted a plan concerning Hungary's future for the workers' consideration. That plan was developed by Istvan Bibo,¹⁷ who on November 4 had called for passive resistance. Bibo proposed that Hungary must follow a "Third Road" to survive as a nation; it should not become capitalist or Communist. Since the Communists had lost all credibility and respect, especially after the second Soviet invasion, only a multi-party system could effectively govern Hungary. To achieve this, Bibo called for the reinstatement of the latest Nagy government. To assure the Soviet Union that a neutral Hungary would remain Socialist and that the Communists would not be harmed, he stipulated the enactment of specific

legislation. The assembled representatives were in favor of Bibo's plan.¹⁸

On the following day, November 14, 1956, the delegates announced the formation of the Greater Budapest Central Workers' Council (*Nagybudapesti Kozponti Munkastanacs*). The Council demanded amnesty for the freedom fighters, restoration of the Nagy government, withdrawal of Soviet troops, abolition of the one-party system, removal of all political parties from the factories, and free elections. The signed document also stipulated: "If we do not get a response to our demands, only those plants which provide the population with the most vital necessities will be permitted to operate."¹⁹

The Kadar government realized that it must make concessions to the workers. The first step in this direction was the announcement of a general wage increase of 8 to 15 percent. Concurrently, the government issued directives in regard to the operation of the Workers' Councils. The plant directors were told to heed the instructions of the Councils providing that they were not illegal. The Councils were also given the right to determine local wage categories. It was further decreed that the Workers' Councils must be re-elected in three weeks under the supervision of the National Trade Union Council.²⁰ There was no mention of extending the Workers' Councils beyond the individual plants. But when the government learned of the formation of the Greater Budapest Workers' Council, it was ready to negotiate with its representatives.

Kadar did not reject outright the demands of the Central Council, but Major General K. Grebennik, commander of the Soviet troops in Budapest, had the final say, especially about those issues that related to the Soviet troops. As long as the government was willing to negotiate, the Central Council, to show its good will, agreed to the resumption of work on November 16.²¹ At the same time, the Central Council began to organize a nationwide National Workers' Council. The Kadar government objected to this activity. Nevertheless, the Budapest group made contacts with regional Workers' Councils and national and revolutionary committees, and it also called for an organizational meeting on November 21, in Budapest's large sports arena. The government declared the proposed meeting illegal and forbade it. The Council's representatives defied the government ban and only changed the location of their meeting and, as a show of strength, called for a forty-eight-hour general strike on November 22 and 23.²²

The Kadar government still hoped to avoid a major confrontation with the workers. On November 22, it announced further concessions to the Workers' Councils: They were given the broadest possible rights to manage their companies and control the selection of directors. In return, they were asked to resume production.²³ The Greater Budapest Central Council rejected the offer. The workers' main objection was that the law ignored the political aspirations of the workers. Despite the disagreement, and while the strike was still in progress, the negotiations continued.

Kadar personally participated in many of these negotiations. One of the workers' negotiators, despite Kadar's betrayal of the uprising, privately observed, "This son of a bitch is from our ranks, he must think as we do." On one occasion, Kadar, losing his temper with the workers, demanded to know: "Whom do you think you represent?" The question was immediately redirected to Kadar, "Just whom do you think you represent?" When the Council members insisted on Nagy's return, Kadar retorted impatiently, "Bring back Nagy, bring him out from the Yugoslav embassy, and I will gladly give him back his chair."²⁴

Even as late as November 21, Kadar appeared willing to work out a compromise with Nagy. He went so far as to issue a written guarantee for the safety of Nagy and the people with him, so that they all could return home unharmed. But evidently Kadar was overruled by the Kremlin. Despite the safe-conduct pass from the Hungarian Revolutionary Worker-Peasant Government, on November 23, as they were leaving the Yugoslav embassy, Imre Nagy and his companions were kidnapped by members of the Soviet secret police and were taken to Rumania.²⁵

When the news of Imre Nagy's removal from Hungary reached the people, all previous efforts by Kadar to establish rapport with the masses suffered a serious setback. Anti-Soviet feelings reached a new high. The Central Council, which had been attaching much hope to Nagy's possible return, at its November 26 meeting resolved to make personal contact with Nagy. In case it did not succeed, it threatened to contact all foreign embassies, publish its own newspaper and shut down all other means of communication. This was not an idle threat because by the end of November the Greater Budapest Central Workers' Council received support and cooperation throughout the country and it openly rejected the Kadar government.²⁶ When its demand for personal contact with Nagy was denied, it began to publish its own information bulletin. The Council also opened up

contacts with foreign journalists and sent a letter to Jawaharlal Nehru, president of India, to explain the situation in Hungary. Nehru, one of the most respected leaders of the non-aligned²⁷ countries, was asked to intercede on Hungary's behalf.

Nehru did express concern about the Hungarian developments and dispatched K. P. S. Menon, India's ambassador to the Soviet Union, to assess the situation in Budapest. Upon receiving the information, Nehru called the Hungarian uprising "a national movement for freedom from foreign control" in a speech to the Indian Parliament on December 13.²⁸ But neither Nehru's sympathetic words nor international protests had any direct effect on the Soviet Union's determination to keep Hungary within its sphere of influence.

Despite the presence of Soviet occupation forces, several anti-Soviet and anti-Kadar demonstrations took place in Budapest. On November 23, at 2:00 p.m., to mark the one-month anniversary of the uprising, the city's streets became empty of people, vehicles stopped and everything came to a standstill for an hour. This act of silent defiance had no known organizers. Another impressive peaceful demonstration, the march of the women, occurred on December 4. Thousands of women, not allowing men to join them, walked silently to the Tomb of the Unknown Soldier on Heroes' Square, to pay tribute to the victims of the uprising and to express their opposition to the Soviet invasion. The Soviet tanks, which were sent to frighten the demonstrators, were ignored.²⁹ But the real confrontation between the workers and the regime was about to take place.

After Nagy's removal, chances for a peaceful settlement between Kadar and the Central Council were unlikely. The Council acted like a counter-government. Although no regular work was performed, the Council voted for wage increases to employees. Time spent on strikes was authorized to be paid. This act prompted Kadar to remark that these were strikes with all the conveniences: full pay and food deliveries.³⁰ Workers' Councils did indeed send their trucks to the countryside to bring back food for the striking workers. The peasants cooperated willingly, and in many instances donated the food instead of selling it. Some factories distributed goods that had already been manufactured, or sold them to the public at a discount. Stores were selling out their supplies. People went on shopping sprees, and money was losing its value. The merchandise that was available was rapidly depleted and very few new items were produced. The Kadar government stood by

helplessly while the Greater Budapest Workers' Council, using strikes as its weapon, was intent to continue where the defeated armed uprising stopped.

To counter the growing influence of the Central Workers' Council, Kadar held a National Conference for Communist Activities from December 2 to 5. At that conference it was decided to move forcefully against anarchy, that is, the Workers' Councils. On December 6, as a show of force, the Communists paraded their members in the streets of Budapest under the watchful eyes of the Soviet army.³¹ On the same day, the leaders of the Workers' Councils of Budapest's two largest plants were arrested. On December 8, the Central Workers' Council and its regional affiliates met to retaliate, but Kadar's militia and the Soviet troops were on the lookout to prevent the meeting from taking place. The Central Council managed to elude its adversaries and hold the meeting, which resulted in a call for an all encompassing general strike for December 11 and 12. The text of the strike authorization was smuggled out of the meeting by a female reporter, and it was passed on to Western news agencies. As soon as word reached the West, the strike call was broadcast back to Hungary. The workers knew what to do. On the appointed dates, everything came to a complete halt.³²

But this strike was the swan song of the Central Workers' Council. With the aid of the Soviet forces, Kadar began a major crackdown. On December 9, the Central Workers' Council and all other regional Councils were declared illegal. On December 11, as the strike was taking effect, Kadar invited the leaders of the Central Workers' Council to negotiate, but instead of bargaining, he had them arrested.³³ Martial law was declared that same day, and the right to public assemblies and demonstrations was suspended until March 31, 1957.³⁴ These repressive laws were not accepted without a struggle. Communist sources reported that armed confrontations occurred throughout the country, and there were numerous casualties.³⁵ But these flare-ups were quickly extinguished with the aid of the Soviet troops. Thousands of workers were arrested.

Despite the overwhelming show of force, at its December 28 meeting the Writers' Union took an unyielding anti-Soviet and anti-Kadar stance. The government's response³⁶ was to suspend the writers' and journalists' unions. In early 1957, defiance started up anew among high school students as soon as the government had the schools reopened. Slogans such as "In March we'll rise again" were heard repeatedly. The government countered

every attempt at resistance with strong measures. Payment was denied to anyone who did not report at his or her place of employment or refused to work within a specified time. Up to that point, the strikers had not faced any punitive measures or suffered any deprivations.

With the Austrian and Yugoslav borders practically unprotected, from November 4 to the end of December about 200,000 people, approximately 2 percent of the population, sought refuge in the West. This huge exodus represented an incalculable loss to Hungary's economic and cultural life. Approximately 85 percent of the refugees were under age forty-five. Among them were college students, engineers, doctors, artists, writers, a large percentage of the Hungarian Olympic team and prominent politicians, as well as blue-collar and clerical workers, peasants, and even a handful of deserting Soviet soldiers. All these people voted with their feet against the Kadar regime and traded their relative economic security in Hungary for uncertainty abroad. Practically every country in the free world was ready to admit and assist these refugees.

The Hungarian refugees, especially those who were better educated and more articulate, became relentless detractors of the Kadar regime for years to come. They appeared as witnesses in the United Nations' Committee investigating Hungarian affairs, they gave interviews to newspapers and magazines, wrote accounts of the revolution and described life in Soviet-dominated Hungary.

After repeated offers of amnesty by Kadar, approximately 40,000 refugees eventually returned to Hungary. In the meantime, universities appeared empty, factories were missing engineers and technicians, and there was a shortage of doctors and dentists. The vacancies left by the exodus caused confusion which ironically helped to consolidate Kadar's government. The most outspoken and alienated enemies of the Communists were out of the way. Imre Nagy and his followers were detained in Rumania, and thousands of freedom fighters, labor leaders and defiant intellectuals were under arrest.

On December 30, 1956, the Nepszabadsag reported that an estimated 1800-2000 people had lost their lives in Budapest during the uprising. Of these were 200 women and 60 children under age fourteen. The total number of casualties was given as 11,513 in Budapest and 12,971 in the entire country. According to Western sources, the Soviet army lost about 1000 soldiers. The Kadar regime

executed approximately 400-450 people for "crimes against the People's Democracy." In addition, 10,000-12,000 were arrested.³⁸ From October 23 to late December, hardly any work was done. Reserve fuels and raw materials were dangerously depleted. Budapest was severely damaged by the fighting.

As one of his first official acts, on November 5, Kadar sent a telegram to the Soviet Union and to fellow Socialist states appealing for economic aid. He spelled out Hungary's most urgent needs: food, fuel, construction materials and medicines. Response was immediate. The Soviet government donated large quantities of food, cement, lumber, window panes, roofing materials and rolled steel. Prompt deliveries of fuel, raw materials and semi-finished goods were also promised.³⁹ From the Socialist countries Hungary received about 700 million Ft worth of assistance. The total aid to Hungary is shown on Table 3.

In addition, Hungary was given long-term loans: 250 million rubles in convertible currency from the Soviet Union, 200 million rubles from China (half of it in cash and the rest in merchandise), 60 million marks from the GDR in raw materials and goods and 7 million rubles from Bulgaria.⁴⁰ Loans from the West were refused, but substantial gifts through the International Red Cross reached Hungary. Five thousand tons of merchandise and medicines, valued at 2,500,000 Swiss Francs (Sw Fr) were delivered by December 21.⁴¹

TABLE 3

ECONOMIC AID TO HUNGARY FROM COMMUNIST COUNTRIES
AFTER THE UPRISING

Country	Amount in Currency	Means
USSR	38.0 million rubles	cash
China	30.0 million rubles	conv. currency
Czechoslovakia	90.0 million kronen	credit
Poland	100.0 million zlotys	credit
Rumania	13.0 million leis	credit
Bulgaria	5.5 million rubles	credit
Yugoslavia	150.0 million dinars	credit
GDR	22.0 million marks	credit
Albania	0.2 million rubles	conv. currency

SOURCE: Nepszabadsag, 22 January 1957.

In the final analysis, it was the Soviet Union that assumed a large share of the financial burden for Hungary's economic recovery. In 1957, due to the disruption of the economy, Hungary incurred a \$194.5 million trade deficit; two-thirds of this was underwritten by the Soviet Union. This was done to facilitate Hungary's rapid economic recovery and, to some extent, to compensate the Hungarians for past iniquities.

One of the contentions of the Hungarian insurgents in 1956 was that the Soviet Union had been systematically exploiting the country. It has already been shown that Stalin wanted the Hungarians to pay dearly for their "aggression towards the Soviet Union," but beyond the assessed payments, the Hungarians realized that all postwar economic treaties and agreements favored the Soviet Union. While the Communists incessantly hailed the "great Stalin's benevolence to Hungary," the country was becoming noticeably impoverished, which was evidenced by a decrease in living standards. The Hungarians attributed the shortages of food and consumer goods to the deals the Hungarian Communists were making with the Soviet Union to finance the ill-conceived development of heavy industry. Following World War II, the Soviet Union, which had no prior economic agreements with Hungary, became Hungary's largest trading partner. Table 4 illustrates Hungary's foreign trade patterns from 1946 to 1950.

TABLE 4

DISTRIBUTION OF HUNGARY'S FOREIGN TRADE: 1946-1950

Country	1946 % rank	1947 % rank	1948 % rank	1949 % rank	1950 % rank
USSR	29.8 1	19.9 1	16.0 1	23.2 1	26.8 1
Czechoslovakia	21.8 2	11.7 2	12.6 3	10.2 3	10.4 2
Switzerland	15.2 3	9.0 5	6.2 5	4.5 8	3.8 8
USA	6.7 4	11.3 4	3.1 9	- -	- -
Poland	5.9 5	4.1 8	2.6 10	4.7 7	9.0 3
Great Britain	3.9 8	11.3 3	15.5 2	10.7 2	- -
Rumania	5.3 6	3.3 11	2.0 13	5.1 5	7.4 5
Yugoslavia	- -	8.6 6	11.9 4	2.6 5	- -
Austria	2.7 9	3.9 9	5.4 6	6.9 4	5.4 6
GDR	- -	- -	2.1 11	6.4 5	8.6 4

SOURCE: Kalman Pecs, A magyar-szovjet gazdasagi kapcsolatok 30 éve [Thirty years of the Hungarian-Soviet economic relations] (Budapest: Kozgazdasagi es Jogi Kiado, 1979), Table 25, p. 184.

As was shown in Chapter 4, the Provisional Government signed under duress a highly unfavorable economic agreement with the Soviet Union. After the Smallholder Party's election victory, trade with the Soviet Union was reduced from an initial 30 percent to 13 percent by 1947. Under the Communist controlled government, trade with the Soviet Union was again on the rise. On February 18, 1948, the signing of the Soviet-Hungarian Treaty of Friendship, Cooperation and Mutual Assistance, set Hungary's political and economic development on a Soviet-oriented course. In January 1949, the formation of the Soviet-inspired Council of Mutual Economic Assistance (CMEA or Comecon), further isolated Hungary from the world trade. As a consequence, Hungary's trade with the Soviet-bloc countries (Yugoslavia included) increased from 47.1 percent in 1948 to 62.3 percent in 1950.⁴²

During the early 1950s, the Soviet Union and Hungary concluded 28 economic agreements, most of which involved the building and equipping of huge industrial complexes.⁴³ These agreements indicated that the Soviet Union was fully aware of and gave its approval to Rakosi's Five Year Plan. This senseless copying of the Soviet Five Year Plans led to serious losses of income and caused severe deprivations. After the death of Stalin, in addition to political changes, the Kremlin decided to remedy the disastrous economic conditions in Hungary. The Soviet Union announced on November 8, 1954, that it was willing to sell its shares of the highly profitable joint stock companies to the Hungarian government.⁴⁴

As a result of changing economic policies, improvements were soon evident: In 1954, real wages increased 15 percent over the previous year's level, further increased by 4 percent in 1955, and by 12 percent in 1956.⁴⁵ But these improvements appeared to be temporary due to the political resurgence of Rakosi, and people dreaded a possible return to terror and the deprivations of the preceding years. Soviet attempts to make amends were essentially unknown, because of the secrecy surrounding the various agreements. Whatever became known was dismissed as propaganda. Every agreement was suspect.

A typical case was the Treaty of Soviet Assistance to Hungarian Nuclear Research and the Development of Atomic Energy for the National Economy.⁴⁶ Despite the ever-present official secrecy on grounds of national security, the worst kept secret in Hungary was the discovery of uranium deposits. Therefore, when the

public learned about the new Nuclear Assistance Treaty (indirectly, because the text itself was never published) only a related letter of appreciation by the Council of Ministers appeared in the Szabad Nep.⁴⁷ It was generally assumed that Hungary's "uranium wealth" was traded for Soviet technical assistance. This issue had surfaced as part of student demands in pre-uprising days, was investigated during the uprising, and later it was taken up by the Kadar regime.

On October 4, 1956, the Soviet Union made another effort to aid the Hungarian economy: It extended 100 million rubles worth of credit to the Hungarian government, 600 million worth of goods and 40 million in convertible currency. This loan was to be repaid in merchandise between 1960 and 1965, with 2 percent annual interest. But before the agreement could go into effect, the uprising completely changed the political and economic conditions.⁴⁸

Since its earliest days, the Kadar regime has been making serious efforts to explain the "advantages" of trading with the Soviet Union. It was claimed that "Rakosi did not consider it worthwhile to spell out these advantages."⁴⁹ Post-World War II political realities limited Hungary's foreign trade partners primarily to the Soviet-bloc countries.

Until the formation of the Council of Mutual Economic Assistance, international and intra-bloc trading was calculated in dollars. From March 1, 1950, intra-bloc payments had to be made in rubles. For this purpose, the Soviets created a standard "clearing-ruble." The value of one clearing-ruble was set at 0.222168 grams of gold; thus one dollar was equal to four clearing-rubles.⁵⁰ Theoretically, the value of the clearing-ruble was the same as the domestic ruble, but in practice the buying power of the ruble in the Soviet Union was much lower. The clearing-ruble was designed to become the Soviet-bloc's international currency, but due to the arbitrary pricing system of the participating countries, trade transactions could only be calculated bilaterally.

So far as Hungary was concerned, Soviet advantage resulted from the difference in value of the clearing-ruble and the domestic ruble. Even though the domestic buying power of the forint was twice as high as that of the domestic ruble, the clearing-rubles and the domestic rubles were not distinguished in calculating commercial and non-commercial payments. The official rate of exchange was 100 domestic or clearing-rubles were equal to 293.50 Ft. This formula remained in effect until July

19, 1956. To alleviate this mounting inequity, the clearing-ruble was revalued to equal 8.6 domestic rubles; thus 100 domestic rubles were equal to 146.76 Ft. instead of 293.50 Ft.⁵¹

The value of domestic rubles primarily affected noncommercial transactions between the two countries. Noncommercial transactions are those expenses that nations incur within the boundaries of another country, such as the maintenance and supplying of legations, tuition for students, and travel expenses for officials and various delegations visiting the country. As a rule, these payments are negligible as compared to commercial transactions. But between 1952 and 1956, Hungary lost 50 to 60 million Ft annually due to this conversion.⁵² On March 27, 1957, the Nepszabadsag reported that the Soviet Union would pay a substantial "retroactive compensation" to Hungary for past non-commercial payments.⁵³

The Kadar government readily admitted that over-emphasis on heavy industry in Hungary was detrimental to the country's economic health, but as long as the Soviet Union, which supplied 85 percent of Hungary's raw materials and fuels, was willing to sell these necessities at a reasonable cost on the basis of long-term agreements, the country should not be concerned. At the same time, the Soviet Union was purchasing 60 percent of Hungary's finished products. Kadar's economists claimed that, contrary to popular belief, only 10 percent of agricultural products were sold to the Soviet Union, mostly in the form of finished goods, such as textiles, clothing, furniture and shoes. Most export and import prices had been determined in 1948-1949 and were still in effect in 1956. The Nepszabadsag cited five years of comparative data on Soviet *versus* prices compared with world market prices to document how Hungary had been benefiting from the Soviet Union's strict adherence to the previously agreed upon prices.⁵⁴

Despite all the efforts by the Kadar government, Soviet-Hungarian economic relations have remained an extremely sensitive political issue. After the traumatic experiences of the early 1950s and the brutal suppression of Hungarian aspirations in 1956, the Hungarians were not ready to look upon the Soviets as their benefactors. But Kadar was an optimist and believed that, if managed properly, the Hungarian economy would eventually thrive.

Kadar was no economic expert, but he did not have to be one to see what was wrong with the Hungarian economy. Not only was it grossly mismanaged by copying the Soviet system, but most pre-1956 trade agreements favored the

Soviet Union. He knew that only through improved living standards could he ensure the cooperation of the workers. To gain the confidence of the population, he allowed public discussions of problems. Then, to prove his sincerity he secured the cooperation of the Soviet Union, which made some amends for past iniquities. Despite Soviet concessions and quick Soviet economic aid and favorable loans following the uprising, suspicion of Soviet exploitations lingered among Hungarians. Nevertheless, Kadar set his future course towards creating a more efficient economic system.