Contesting Money: society, public policy, and the state in Hungary, 1945–1958

Szinán Rádi

Department of History, University of Nottingham

Thesis submitted to the University of Nottingham for the degree of Doctor of Philosophy

September 2022

Abstract

The thesis uses the state (chartalist) and credit theories of money to gain new insights into changing relations between ordinary citizens and the Hungarian postwar state between 1945 and 1958. The study focuses on the means (taxes, bonds, credits, the lottery), methods (propaganda, wage and price policy), and implications (price levels, purchasing power) of public finance. The thesis argues that the Hungarian postwar state was financially more vulnerable than previously assumed in historiography. Money was a constant point of contestation between regime and society during the period in question. It was both a measure of quality of life and a crucial legitimising and delegitimising force. Even during the most repressive Stalinist years, citizens counteracted state power and questioned the forint's value, the course of public policy, and the state's fiscal authority inflicted upon them often by turning the disorganised planned economy and communist bureaucracy to their advantage. The thesis contributes to the burgeoning socio-economic historiography of socialism by offering a novel and dynamic view on the interrelation of political and socio-economic change in postwar Hungary. Moreover, the study's empirical assessment of money in socialism contributes to recent debates on the social function of money in the social sciences. The thesis relies on unused primary evidence sourced from Hungarian archives. It builds on party and ministerial reports on policy design and implementation, 'mood reports' of workers' public opinion, personal letters, complaints, petitions, and private 'proposals' as well as interviews conducted with Hungarian émigrés during the early Cold War. In doing so, the thesis shows that due to citizens' everyday experience with money as well as interpretation of and feedback on public policy, political, social, and economic structures developed in an interplay in the analysed period.

Acknowledgements

I wish to acknowledge my gratitude to a number of people and organisations. I am greatly indebted to my supervisors, Dr Nick Baron and Prof Sarah Badcock, without whose academic expertise, continuous and tireless intellectual support as well as professional and personal encouragement, this study would have never seen the light of day. My skills as a historian have greatly improved due to their mentorship. Thank you for believing in the viability of this project from day one.

I would like to acknowledge the support of my ESRC cohort and the numerous academics that I had the privilege to discuss my project with at Nottingham. I am extremely grateful to Dr Donna Palmer and the excellent Midlands Graduate School at the University of Nottingham for organising training events, looking after my research needs, and providing an extremely stimulating academic environment throughout my four years at Nottingham. It has been a pleasure to be part of this school. My time at Nottingham will always remain an extremely fond memory thanks to you all.

I am greatly indebted to my academic contacts in Hungary, Prof Attila Pók and Prof András Fejérdy, for their generous assistance and invaluable advice on my fieldwork in Hungary. I would like to express my gratitude to the excellent archivists and the countless members of staff at the Hungarian National Archives, Budapest City Archives, Pest County Archives, Open Society Archives, National Széchényi Library, Szabó Ervin Library, the Library of the Hungarian Parliament, and the Hungarian Central Statistical Office Library for their support in identifying, providing advice on, and making materials available in the shortest time possible. It has been a pleasure to conduct research in these institutions.

Finally, this project could have never materialised without the financial support of the Economic and Social Research Council [Grant Number: ES/P000711/1] and the Visegrad Scholarship of the Open Society Archives. I am grateful for their generous support.

Chapter Overview

Abstract ii

Acknowledgements iii

Abbreviations ix

Introduction 1

Chapter 1, Instituting Money: hyperinflation, and the state and society in the making of postwar stability (1944–1946) 39

Chapter 2, Funding Stalinism I: state-loans and subscription campaigns (1946–1955). 83

Chapter 3, Funding Stalinism II: direct taxes, private entrepreneurship, and the institutionalisation of informal practices (1945–1956) 126

Chapter 4, Financing the People?: credits, private construction, and the materialisation of need (1949–1956) 159

Chapter 5, Consolidating Money: the revolution, the lottery, and the politics of consumption (1953–1958) 206

Conclusion 250

Appendices 259

Bibliography 264

Table of Contents

Abstract ..... **ii**

Acknowledgements ..... **iii**

Abbreviations ..... **ix**

Introduction **1**

1. Themes, Questions, and Aims of Research 2

2. Concise Introduction to Hungarian Postwar History 5

3. Theoretical Framework 9

3.1. Money, Banks, and Socialism 9

3.2. Chartalism and the Credit Theory of Money 14

3.3. Towards a Sociologically-informed Theory of Money in Socialism 17

4. Socio-economic Histories of Postwar and Early-socialist Hungary: historiographical overview 21

5. Sources 28

6. Thesis Structure 33

Chapter 1, Instituting Money: hyperinflation, and the state and society in the making of postwar stability (1944–1946) **39**

1. Introduction 40

2. War, Economic Collapse, and the Reestablishment of the Market (October 1944–June 1945) 48

2.1. Hungary's Postwar Economic Landscape 48

2.2. Reestablishing the Central and Local Administration of the State 51

2.3. Public Provisioning and Reinstating the Market 52

3. Unfolding Hyperinflation and the Social Origins of Economic Policy Change (June 1945–December 1945) 54

3.1. Economic Policy in Summer 1945 54

3.2. Disputing Economic Freedom from Below 58

3.3. Calling for State Intervention: economic control and public provisioning 61

4. Hyperinflation Unbound: economic reconstruction and the social foundations of the currency reform (November 1945–August 1946) 66

4.1. Funding Reconstruction: economic control, monetary reforms, and the inflation tax 66

4.2. Funding Reconstruction: party propaganda and the moral dimensions of the inflation tax 72

4.3. Implementing the Currency Reform 77

5. Conclusion 80

Chapter 2, Funding Stalinism I: state-loans and subscription campaigns (1946–1955). 83

1. Introduction 84

2. Postwar Economic Policy and the First *Tervkölcsön* Campaign (1946–1949) 88

2.1. Dismantling Democracy and The First Three-year (Reconstruction) Plan 88

2.2. Devising Propaganda: 'peace' and 'prosperity' 93

2.3. Implementing the *Tervkölcsön* Campaign 95

3. Funding the First Five-year Plan: *békekölcsön* campaigns and the material origins of public dissent (1950–1952) 98

3.1. The First Five-year Plan, the Introduction of Rationing, and the Price Reform of 1951 98

3.2. Workers' Dissent: wages, prices, and the currency in workers' perception of everyday economic life 101

3.3. Anatomy of Workers' Resistance 104

3.3.1. Collective Action 105

3.3.2. Individual Action 106

3.4. Breaking Workers' Resistance 109

3.4.1. Personal Agitation 109

3.4.2. 'Illustrative Agitation' 110

3.4.3. 'Uncovering' and the ÁVH 114

4. Implementing Reforms (1953–1954) and the Return to Coercive Methods (July 1953–July 1956) 115

4.1. Materialising Propaganda Objectives and its Repercussions 116

4.2. Return to Coercion and the Demise of State-loans 120

5. Conclusion 123

Chapter 3, Funding Stalinism II: direct taxes, private entrepreneurship, and the institutionalisation of informal practices (1945–1956) 126

1. Introduction 127

2. Postwar Recovery and the Communist Party's Rethinking of Taxes (1945–1950) 132

3. Direct Taxes, the Sanctioning of Private Entrepreneurship, and the Breakdown of (Over)centralised Planning (1950–1953) 137

3.1. Property, Tax, and Public Administration Reforms 137

3.2. Implementing the Income Tax Reform 141

3.3. The Limits of State Authority and the Development of Informal Practices in Economic Self-management 145

4. Political Reforms, the Revival of the Private Sphere, and the Spread of Informality (1953–1956) 149

4.1. Partial Reforms and Vacuums of Power in Public Administration 149
4.2. Circumventing the Ineffective Tax System and the Institutionalisation of Informality 152
5. Conclusion 156

Chapter 4, Financing the People?: credits, private construction, and the materialisation of need (1949–1956) 159

1. Introduction 160
2. Rethinking Credits and Deposits: 'socialist accumulation' and the politics of 'thriftiness' during Stalinism (1949–1953) 164
2.1. The Establishment of OKÁ (1948–1949) 164
2.2. Propaganda and Ideology: 'socialist accumulation' and 'thriftiness' 167
2.3. The Termination of Consumer Lending 169
2.4. The Implementation of Reforms (summer 1953) 171
3. Credits in the Interest of Welfare: the introduction of the private-construction scheme (1953–1954) 173
2.1. Housing Policy of the early 1950s 173
3.2. The Introduction of the Home Construction Scheme in the Media 177
3.3. Conflicting Visions between State and Society: self-sufficiency, profitability, and the household economy 179
3.4. Councils and the Politics of Attrition in Application Assessment 182
4. Rising the Inequality Gap: constructing homes in an economy of shortage (1954–1956) 187
4.1. Price Hikes and Labour Costs 187
4.2. Shortages of Plots 194
4.3. Shortages of Building Materials 197
4.4. Shortages of Credits 201
5. Conclusion 204

Chapter 5, Consolidating Money: the revolution, the lottery, and the politics of consumption (1953–1958) 206

1. Introduction 207
2. Destalinisation and the Hungarian Economy (June 1953–October 1956) 212
2.1. The Geopolitical Determinants of Welfare: state and society at times of foreign policy changes (June 1953–December 1955) 212
2.2. The Twentieth Congress of the Communist Party of the Soviet Union and its Impact on MDP (January 1956–April 1956) 216
2.3. The Economic Origins of Revolt: the second five-year plan, wage and price policy, and taxes (May 1956–October 1956) 218

3. The Socio-economic Limits of State Power: economic crisis, inflation and the new plan (October 1956–May 1957) 225
3.1. Aftermath of the Revolution 225
3.2. Economic Crisis (October 1956–January 1957) 227
3.3. The Inflation Threat and Financial Restructuring (October 1956–January 1957) .. 230
4. At the Crossroads of Ideology and Economic Pragmatism: consumption, leisure, and the lottery (January 1957–1958) 233
4.1. Economic Stabilisation and Wage and Price Reforms (January 1957–May 1957). 233
4.2. Consumption and New Opportunities for Leisure 237
4.3. The Introduction of the Lottery 240
5. Conclusion 247

Conclusion 250
1. Final Summary and Evaluation 251
2. Implications for Future Research 257

Appendices 259
Appendix A 260
Appendix B 261
Appendix C 262
Appendix D 263

Bibliography 264
1. Primary Sources 265
2. Secondary Sources 275

Abbreviations

Agitprop	*Agitációs és Propaganda Osztály* (Agitation and Propaganda Department)
ÁVH	*Államvédelmi Hatóság* (State Protection Authority)
COMECON	Council for Mutual Economic Assistance
DISZ	*Dolgozó Ifjúság Szövetsége* (Union of Working Youth)
FKgP	*Független Kisgazda-, Földmunkás- és Polgári Párt* (Independent Smallholders, Agrarian Workers and Civic Party)
GDR	German Democratic Republic
GF	*Gazdasági Főtanács* (Supreme Economic Council)
IBUSZ	*Idegenforgalmi, Beszerzési, Utazási és Szállítási Vállalat* (Tourism, Procurement, Travel and Management Company)
IKKA	*IBUSZ Külföldi Kereskedelmi Akció* (Foreign Commercial Enterprise)
IKV	*Ingatlankezelő Vállalat* (Real Estate Management Enterprise)
KEB	*Központi Ellenőrző Bizottság* (Allied Control Commission)
KIOSZ	*Kisiparosok Országos Szabadszervezete* (until 1952) / *Kisiparosok Országos Szervezete* (from 1952) (National [Free-]Association of Artisans)
KGM	*Kohó- és Gépipari Minisztérium* (Ministry of Metallurgy and Machinery Industry)
KST	*Kölcsönös Segítő Takarékpénztár* (Mutual Aid Savings Bank)
KSH	*Központi Statisztikai Hivatal* (Central Statistical Office)
KV	*Központi Vezetőség* (unil 1956), *Központi Bizottság* (from 1956) (Central Leadership [until 1956], Central Committee [from 1956])

MÁVAG	*Magyar Állami Vas-, Acél- és Gépgyárak* (Hungarian State Railroads' Machine Factory)
MDP	*Magyar Dolgozók Pártja* (Hungarian Workers' Party, 1948–1956)
MGkI	*Magyar Gazdaságkutató Intézet* (Hungarian Economic Research Institute)
MKP	*Magyar Kommunista Párt* (Hungarian Communist Party, 1944–1948)
MNB	*Magyar Nemzeti Bank* (Hungarian National Bank)
MNFF	*Magyar Nemzeti Függetlenségi Front* (Hungarian National Independence Front)
MSZMP	*Magyar Szocialista Munkáspárt* (Hungarian Socialist Workers' Party)
NEP	New Economic Policy (*novaya ekonomicheskaya politika*)
NKM	*Nagybudapesti Központi Munkástanács* (Greater Budapest Central Workers' Council)
NPP	*Nemzeti Parasztpárt* (National Peasant Party)
NT	*Népgazdasági Tanács* (People's Economic Council)
OGT	*Országos Gazdasági Tanács* (National Economic Council)
OKÁ	*Országos Központi Áruhiteliroda* (National Central Commodity Loan Office)
OTP	*Országos Takarékpénztár* (National Savings Bank)
PM	*Pénzügyminisztérium* (Ministry of Finance)
PB	*Politikai Bizottság* (Political Committee)
RFE	Radio Free Europe (*Szabad Európa Rádió*)
SLIG	*Sportfogadási és Lottó Igazgatóság* (Sports Betting and Lottery Directorate)
SZdP	*Szociáldemokrata Párt* (Social Democratic Party)

szja	*személyi jövedelemadó* (personal income tax)
SZOT	*Szakszervezetek Országos Tanácsa* (National Council of Trade Unions)
TEFU	*Teherfuvarozási Vállalat* (Freight Transport Enterprise)
TÜZÉP	*Tüzelőszer és Építőanyag Kereskedelmi Vállalat* (Fuel and Building Material Trading Enterprise)
UNRRA	United Nations Relief and Rehabilitation Administration
ÚGM	*Új gazdasági mechanizmus* (New Economic Mechanism)
VB	*Végrehajtó Bizottság* (Executive Committee)
VKgM	*Város- és Községgazdálkodási Minisztérium* (Ministry of City and Village Management)

Abbreviations in references

BFL	*Budapest Főváros Levéltára* (Budapest City Archives)
M-KS	*M szekció: Az 1945 utáni munkáspártok irata, Központi Szervek* (Section M: Documents of Workers' Parties after 1945, Central Organs)
MNL OL	*Magyar Nemzeti Levéltár – Országos Levéltár* (Hungarian National Archives – National Archives)
OSA	Open Society Archives
PML	*Pest Megyei Levéltár* (Pest County Archives)

Introduction

1. Themes, Questions, and Aims of Research

Hungarians had experienced several political, social, and economic cataclysms between the end of World War II and the October revolution of 1956.[1] Hungarians evaluated their losses of the preceding years so grave that they took arms and risked lives to fight for an unknown alternative. What made the majority of society side with the revolution at such great costs? The present thesis argues that prolonged precarity of the postwar years was one of the main factors which conditioned mass support of the revolution.

The thesis focuses on the transformation of conflicts of economic interest between Hungarian citizens and the state in 1945–1958. The thesis considers six periods for analysis: the world-record hyperinflation of 1945–1946; the short-lived democratic interlude of 1946–1948; Mátyás Rákosi's Stalinist dictatorship of 1948–1953; Imre Nagy's *új szakasz* (New Course) of 1953–1955; the Muscovite-clique's return in power in 1955–1956; and the consolidation of political and economic life under János Kádár's party leadership in 1956–1958.[2] These periods will be presented in more detail in the following section.

The thesis uses 'money' as a lens to gain insights into changing state-society relations in the analysed period. Money is conceptualised as a social relation between state and society. The thesis considers both physical and credit money an abstract unit of account measuring value. The thesis considers the establishment of the currency's value as a process of 'struggle'

[1] György Gyarmati, 'Hadigazdasági Túlterhelés, Rejtőzködő Transzformációs Veszteség És a Személyi Kultusz. A Magyarországi „új Szakaszt" Megelőző Rendszerválság 1952/53 Fordulóján', *Századok*, 145.1 (2011), 75–116.

[2] I define 'Stalinism' as the political and socio-economic establishment instituted under Joseph Stalin's leadership in the Soviet Union between 1929 and 1953 and in the people's democracies in the postwar, at least until Stalin's death in 1953. On the analytic development of the term during the Cold War, see Henry Reichman, 'Reconsidering "Stalinism"', *Theory and Society*, 17.1 (1988), 57–89. On the use of the concept in Hungarian historiography, see János Rainer M., 'Revisiting Hungarian Stalinism', in *Stalinism Revisited: The Establishment of Communist Regimes in East-Central Europe*, ed. by Vladimir Tismaneanu (Budapest: Central European University Press, 2009), pp. 231–54. For a more recent application of the concept in Hungarian historiography, see Sándor Horváth, *Stalinism Reloaded: Everyday Life in Stalin-City, Hungary* (Bloomington: Indiana University Press, 2017).

between money users and the state.[3] As outlined in more detail in the introduction's theoretical section, this approach provides a fresh outlook on socialist economic policy and citizens' valuation of wages, prices, and taxes, in terms of earning, spending, and discharging credit or debt. I argue that this approach can yield new insights into Hungary's socio-economic and political transformation in the 1945–1958 period.

The thesis also uses the auxiliary lens of 'public policy' to estimate conflicts of interest prevailing between policy design and implementation on the one hand and the creation, extraction, and redistribution of resources to fund government goals on the other. In the 1970s, Thomas R. Dye argued in his seminal textbook that 'public policies may regulate behavior, organize bureaucracies, distribute benefits, or extract taxes—or all of these things at once'. Public policy is 'anything that a government chooses to do or not to do'.[4] Modern public policy analysis has since shifted the research agenda from government authority to 'the role of government in society and […] the relationships that exist between individuals, collectivities and governments'.[5]

While the first definition focuses on the power of the state to make authoritative decisions on behalf of the public, the second emphasises the existence of democratic channels for the relative free flow of information between public and private spheres typical to liberal democracies. At first sight, 'public policy' might seem alien to the study of communist socio-economic policy. This is not surprising as the communist one-party state prided itself on best representing 'workers' interest. Marxist-Leninist dogma claimed that the ruling party needed not consider public opinion because communist policy served the collective interest of the proletariat above all. Consequently, the ruling party considered questioning state policy a hostile behaviour and sanctioned it accordingly. The totalitarian model which saw the socialist

[3] Geoffrey Ingham, *The Nature of Money* (Cambridge: Polity, 2004), pp. 80–85.
[4] Thomas R. Dye, *Understanding Public Policy* (New York: Pearson, 2017), pp. 1–2.
[5] *Routledge Handbook of Public Policy*, ed. by Eduardo Araral Jr. and others (London: Routledge, 2013), p. 3.

state as an omnipotent entity took this self-definition at face value and assumed that communist rulers governed their respective populace with no concern for public opinion; instead, state authority was based on coercion rather than consent.[6] More recently, the social historiography of communism has challenged this view.[7] It argued that everyday acts of resistance against state policy were more common than what the totalitarian school had previously assumed and what the coercion-consent binary might have been able to convey. Resistance against the state's totalising aspirations compelled communist regimes to seek new ways to shape and accommodate the public view to uphold power.

Communist regimes' command over the money supply and other economic factors was never complete. In other words, money limited communist regimes' policy space and exercise of power.[8] This was a well-understood fact among socialist policy makers. Postwar Hungary was no exception in this regard, as will be shown in the thesis.[9] To assess and qualify the extent of constraints on Hungarian policy implementation posed by monetary factors, the thesis will focus on the means (taxes, bonds, credits, the lottery), methods (propaganda, that is, the shaping of public opinion, and wage and price policy), and implications (inflation, purchasing power) of public finance in the 1945–1958 period. The thesis asks in what ways and to what effect did various forms of voluntary contractual monetary arrangements (loans, savings deposits, the lottery), quasi-voluntary measures (state-loans), and involuntary measures (taxes) reinforce or

[6] On public opinion in communist states, see Sheila Fitzpatrick, 'Popular Opinion Under Communist Regimes', in *The Oxford Handbook of the History of Communism*, ed. by S. A. Smith (Oxford: Oxford University Press, 2014), pp. 371–86. On the relation between public opinion and public policy in communist states, see Daniel N. Nelson, *Elite-Mass Relations in Communist Systems* (London: MacMillan Press, 1988), pp. 117–38.

[7] For instance, see Mark Pittaway, 'The Social Limits of State Control: Time, the Industrial Wage Relation, and Social Identity in Stalinist Hungary, 1948-1953', *Journal of Historical Sociology*, 12.3 (1999), 271–301 (pp. 287–92); Elena A. Osokina, 'Economic Disobedience under Stalin', in *Contending with Stalinism*, ed. by Lynne Viola, Soviet Power and Popular Resistance in the 1930s (New York: Cornell University Press, 2002), pp. 170–200.

[8] Paul R. Gregory, *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives* (Cambridge: Cambridge University Press, 2003), pp. 213–42.

[9] The thesis uses the 'immediate postwar years' in reference to 1945–1948, Stalinism to 1948–1953, and early-socialism or the 'Rákosi years' to 1948–1956. The 'postwar' in general is used concerning the whole period under analysis.

constrain the state's exercise of power in postwar Hungary? The thesis considers this question in terms of the following broader themes: state power and the implementation of economic policy; the fiscal means of sustaining economic authority and legitimacy; the role of propaganda in shaping public perception of value; the relation between public opinion, budgetary policy and policy space; social and international constraints on monetary, fiscal, and public policy; and, crucially, the role and impact of public opinion on the course of public policy and the development of political, social, and economic structures.[10]

The thesis argues that the Hungarian postwar and early-socialist states were financially more vulnerable than previously assumed in historiography. Instead of an omniscient and omnipotent entity, the postwar Hungarian state's power was constrained by the regime's incomplete command over the money supply. Money was a constant point of contestation between regime and society during the period in question. It was both a measure of quality of life and a key legitimising and delegitimising force. Even during the most repressive Stalinist years, citizens counteracted state power. They questioned the forint's value, the course of public policy, and the state's fiscal authority inflicted upon them often by turning the disorganised planned economy and communist bureaucracy to their advantage. Due to citizens' everyday experience with money as well as interpretation of and feedback on public policy, political, social, and economic structures developed unwittingly in an interplay in the analysed period. Overall, the thesis argues that citizens' perception of monetary value played a vital role in postwar Hungary's socio-economic and political development.

2. Concise Introduction to Hungarian Postwar History

[10] Authority and legitimacy are derivatives of power. I define authority as a claim for compliance (e.g. by the state) and legitimacy as an acceptance of that claim (e.g. by the public). Both are measured in degree rather than kind or 'ideal types' in the thesis. On this revised Weberian approach, see Norman Uphoff, 'Distinguishing Power, Authority & Legitimacy: Taking Max Weber at His Word by Using Resources-Exchange Analysis', *Polity*, 22.2 (1989), 295–322.

By the end of World War II, Hungary was economically devastated. The country lost 40 per cent of its national wealth and 800–900,000 people perished in the war. In the immediate postwar years, as the rampant hyperinflation of the pengő destroyed citizens' existences day-by-day, economic dirigisme emerged in most parties' political programmes. The Communist Party's political programme, for instance, highly resembled Western European left-wing parties' agenda in the nationalisation of key industries and banks, increased redistribution, progressive taxation, and the introduction of some form of economic planning in the service of reconstruction. In Hungary, unlike in other Eastern European states, democratic parliamentary elections were held in November 1945 and August 1947. This bound the communists to convince the public of their programme's favourable effect on welfare to gain political support. Nonetheless, the political field was far from even. The Communist Party, with the help of the Soviet-dominated KEB, the Soviet Army, and the neutrality of Western powers, was overrepresented in Hungarian political life relative to the size of the party's electorate.[11]

Between 1944 and 1946, the Soviet Union had no immediate interest in supporting Hungary's Sovietisation; instead, it allowed for a certain level of democratisation and the Communist Party's cooperation with other democratic parties in Hungary's popular front governments.[12] From 1947, as Cold War rivalries between the United States and the Soviet Union intensified, Stalin decided to increase the pace of Sovietisation in Eastern Europe. Upon the Soviet Union's permission, Hungarian communists began to take direct action to weaken and eliminate their opponents and Hungary's newly-established democratic institutions to compensate for MKP's loss in the parliamentary elections of November 1945 in a bid for

[11] The *Magyar Kommunista Párt*'s (Hungarian Communist Party–MKP) name underwent two changes in the analysed period. First, after the party merger with SZdP in June 1948, when the *Magyar Dolgozók Pártja* (Hungarian Workers' Party–MDP) was formed, and second, during the days of the October revolution of 1956, when the party was reconstituted as *Magyar Szocialista Munkáspárt* (Hungarian Socialist Workers' Party–MSZMP). For simplicity, throughout the thesis, I refer to all three organisations as the 'Communist Party'.
[12] Geoffrey Swain and Nigel Swain, *Eastern Europe since 1945* (Basingstoke: Macmillan, 1998), pp. 28–29; Norman M. Naimark, 'Stalin and Europe in the Postwar Period, 1945–53: Issues and Problems', *Journal of Modern European History*, 2.1 (2004), 28–57.

exclusive political power. From 1947, the country's most popular party, the FKgP—which secured the absolute majority of the votes (57 per cent) in the democratic parliamentary elections of November 1945—became increasingly a victim of communist 'salami tactics', that is, the weakening of the political opposition and preventing the formation of a political alliance between the right wing of the SZdP and the left wing of the FKgP.[13] In February 1947, Soviet authorities deported Béla Kovács, a prominent figure of the FKgP, under false accusations to the Soviet Union. A few months later in May 1947, the communists forced the FKgP-member, Ferenc Nagy, to renounce his role as premier. As a direct consequence, FKgP fell into multiple factions while the communists managed to replace Nagy with their FKgP puppet, Lajos Dinnyés, as prime minister.

As FKgP's foothold in political life weakened, from summer 1947, the communists began to lay the foundations of centralised planning in Hungary. From summer 1947, the coalition party, on communist initiation, levied special taxes on the wealthy, nationalised large industries and banks, and began implementing Stalinist industrialisation methods under the guise of postwar reconstruction in the first three-year plan (1947–1949).[14] With the power of the Hungarian bourgeoisie and landholder elite of the prewar Horthy era increasingly dismantled, the postwar economic reconstruction brought a steady—albeit arguably moderate—growth in the standard of living for workers and peasants against the façade of democratic state building.[15]

---

[13] Nigel Swain, *Hungary: The Rise and Fall of Feasible Socialism* (London: Verso, 1992), p. 37.

[14] For a comprehensive account of the period, see George Kemény, *Economic Planning in Hungary 1947-9* (London: Royal Institute of International Affairs, 1952); György Ránki, *Magyarország Gazdasága Az Első 3 Éves Terv Időszakában: 1947-1949* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1963).

[15] On the standard of living and wages, see Iván Pető and Sándor Szakács, *A Hazai Gazdaság Négy Évtizedének Története 1945-1985. I.* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1985), pp. 124–28. On postwar economic growth, see Tamás Vonyó and Andrei Markevich, 'Economic Growth and Structural Developments, 1945–1989', in *The Economic History of Central, East and South-East Europe: 1800 to the Present*, ed. by Matthias Morys (London: Routledge, 2021).

After the party fusion of MKP and SZdP and the establishment of the *Magyar Dolgozók Pártja* (Hungarian Workers' Party—MDP) in June 1948, the forced industrialisation and militarisation of Hungary became top priorities for Hungarian communists in line with Soviet directives to counter U.S. 'imperialism'. From autumn 1949, the communists began to exploit the fiscal powers of the state to an unprecedented scale to drain purchasing power to fund the country's overambitious economic plans. As *takarékosság* (thrift) became the word of the day, direct taxation, state-loans, the continuous increase of production targets and norms, and the overall depreciation of wages' value helped broaden the state's budgetary space at the expense of consumption and citizens' fiscal autonomy. Simultaneously, as heavy industry boomed, a large portion of Hungarian citizens became impoverished and lived far below prewar living standards. In the early 1950s, at the peak of Stalinism in Hungary, real wages declined, staples became in short supply, and an acute housing crisis ensued. By the end of 1952, real wages decreased by 18 per cent for workers, while peasants' per capita real income was 34 per cent below the 1949 level.[16] Even by the end of 1956, when accounting for *burkolt árdrágítás* (concealed price increases), real wages barely surpassed their peak in the postwar period of 1948. Meanwhile, the Communist Party applied coercive propaganda through its various political organisations to influence and repress public opinion to maintain political stability.

After Stalin's death in March 1953, the new leadership of the Soviet Union initiated reforms in Hungary to increase welfare to strengthen MDP's domestic legitimacy and appease Hungarian public opinion.[17] The Soviet leadership appointed Imre Nagy as premier to oversee economic corrections; meanwhile, Mátyás Rákosi managed to retain significant powers as the First Secretary of the party to stymie Nagy's reforms. The Nagy government's reforms, later termed *új szakasz* (New Course), eased political repression and brought a sudden but moderate

[16] KSH, *Magyar Statisztikai Zsebkönyv 1958* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1958), p. 176.
[17] Mark Pittaway, *Eastern Europe 1939-2000* (London: Hodder Arnold, 2004).

increase in the standard of living for many. Crucially, however, in an attempt to break with the Rákosi regime's hardline approach, the Nagy government began to consider public opinion in public policy design, signified, for instance, by the introduction of home construction credits in January 1954. In late 1954, however, the international climate made the Soviet leadership initiate a radical turn in domestic policy once again. In January 1955, the Soviet leaders accepted Rákosi's plan to increase investments in heavy industry as opposed to Nagy's permissive line of welfare communism. Eventually, in March 1955, Nagy was replaced with Rákosi's puppet András Hegedüs in government.

Despite Nagy's dismissal, the party could not halt reforms anymore. In February 1956, the new Soviet leader Nikita Khrushchev denounced Stalin's 'crimes' in a 'secret speech' at the Twentieth Congress of the Communist Party in the Soviet Union. The speech worked as a catalyst for the eruption of widespread discontent with the accomplishments of communism in Hungary. In the eight months following the speech, Rákosi became thoroughly discredited in Hungarian society and the party rank and file. The revolution of 23 October 1956 eventually helped alter Stalinist economic practice in Hungary. Instead of coercively reducing citizens' purchasing power and suppressing public opinion as practised under Rákosi, János Kádár's regime applied a more permissive strategy based on the mix of positive incentives and welfare propaganda increasingly shaped by professional market research and surveys of public opinion. These new measures helped strengthen the legitimacy of Kádár's socialism in Hungary.

3. Theoretical Framework

3.1. Money, Banks, and Socialism

The Soviet Bolshevik experience with the real-life application of Karl Marx's critique of classical political economy influenced Hungarian communists' understanding of money in the

postwar period. Marx's theory of capitalism took the commodity form in market societies as its point of departure. Marx argued that commodities on the capitalist market have both 'use' and 'exchange values'. For Marx, 'use value' implied the physical usefulness of commodities, while 'exchange value' referred to the abstraction of 'use value' in commodity exchange on the capitalist market. Marx believed that money was a 'special kind of commodity' which served as a 'universal equivalent' against which the value of other commodities could be measured in economic transactions. Since money for Marx was a commodity but a 'special kind', like other commodities, Marx believed that money had to have intrinsic value, which he based on gold. Marx argued that gold 'historically conquered this advantageous position' of money, and only recently, modern paper money began to substitute gold with money-tokens.[18]

Marx theorisation of money's origin and nature was largely couched in the classical political economists' (e.g. Adam Smith, David Ricardo, John Stuart Mill) 'labour theory of value' and 'barter theory of money' which argued, respectively, that that the amount of labour put into the production of commodities determined economic value, and that markets helped create money to ease the problem with the 'double coincidence of wants' which occurred when two parties could not engage in barter exchange due to the lack of a mutually accepted medium of exchange.[19] Unlike classical political economy, however, in Marx's theory of nineteenth-century capitalism, money was not simply a 'neutral' means of exchange symbolising the exchange ratios of the 'real' economy, but a means of domination which helped bolster the power of dominant classes.[20]

---

[18] Karl Marx, *Capital Volume I* (London: Penguin, 1982), p. 192. Marx deemed that gold could 'serve as a measure of value only because it is itself a product of labour'.

[19] Geoffrey Ingham, 'On the Underdevelopment of the 'Sociology of Money'', *Acta Sociologica*, 41.1 (1998), 3–18 (p. 6); Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations Vol. I.* (Oxford: Oxford University Press, 1976); David Ricardo, *On the Principles of Political Economy and Taxation* (London: J. M. Dent and Sons Ltd., 1911); John Stuart Mill, *Principles of Political Economy Vol. I.* (New York: D. Appleton and Company, 1877).

[20] Ingham, 'On the Underdevelopment of the 'Sociology of Money'', p. 6.

In Marx's model of capitalist society, two classes co-exist antagonistically. The bourgeoisie that owns the means of production, and the working class, which under the pressure of economic survival, is compelled to sell labour-power to the owners of capital goods. Workers receive a wage in exchange for labour while the produced 'surplus-value' becomes appropriated by the owners of the means of production. Marx saw this as an unequal relationship between workers and the bourgeoisie. Moreover, Marx believed that money played a vital role in this systemic exploitation of workers. Marx proposed communism as a solution where the means of production would be in social ownership and where money eventually would be abolished. Marx argued that only in such a society based on public ownership, 'labor [could] become not only a means of life but life's prime want'.[21] On the way to transitioning from capitalism to communism, Marx deemed that the banking system, which reinforced the power of the bourgeoisie through the creation of credit in the capitalist production system, would have to be nationalised.[22]

After the Russian revolution of October 1917, Soviet Bolsheviks took Marx's analysis of capitalism and money's incompatibility with communism at face value. They attempted to create a moneyless society by introducing direct material exchange during 'war communism' (1918–1921) in Soviet Russia.[23] The Bolsheviks nationalised banks and large-scale property and attempted the introduction of an economy in kind and a material budget based on a new accounting mechanism, the labour unit (*tred*).[24] In 1921, against the backdrop of economic collapse and the hyperinflating ruble, the Bolsheviks eventually reverted to 'state capitalism', that is, a mix of market allocation and state planning under pragmatic considerations, and

[21] Karl Marx, *Critique of the Gotha Programme* (Gloucester: Dodo Press, 2009), p. 11.
[22] Karl Marx, *Capital Volume III* (London: Penguin, 1991), pp. 741–43.
[23] R. W. Davies, *The Development of the Soviet Budgetary System* (Cambridge: Cambridge University Press, 1958), p. 40.
[24] On the intellectual foundations of the Bolsheviks' understanding of money and banks, such as Saint-Simon's and Hilferding's contribution to Marxist theory, see Silvana Malle, *The Economic Organization of War Communism 1918-1921* (Cambridge: Cambridge University Press, 1985), pp. 153–201.

fostered the creation of a monetised economy under the New Economic Policy (1921–1928, NEP).[25] In December 1925, at the XIVth Congress of the Communist Party in the Soviet Union, Joseph Stalin, the Soviet Union's dictator after Lenin's death, declared money to be compatible with the building of socialism.[26] In 1928, the Soviet Union eventually abandoned NEP. Instead, it promoted economic development through a series of plans to help transform the Soviet Union from an agrarian state to a predominantly industrial one. In the first five-year plan (1928–1932), the Soviet Union adjourned the abolishing of money in the phase of socialist development; instead, through the nationalised banking sector, Stalinist economic policy increasingly put the currency to the use of domestic capital formation and autarkic economic development in the interest of forced industrialisation and state building.[27]

After World War II in Hungary, the Muscovite faction of the Hungarian Communist Party, upon return from exile in Moscow, considered the introduction of the Stalinist model of nationalisation and enforced industrialisation the ultimate goal for Hungarian economic growth. As in the late 1920s Soviet Union, after 1945, Hungarian communists began to put the currency to the service of increasing state power during the postwar economic reconstruction of Hungary. The government introduced special taxes to disadvantage the wealthy, imposed constraints on crediting the private sector, and established prices to keep the agriculture's profitability low relative to industry.[28]

---

[25] Z. V. Atlasz, *Pénzforgalom És Hitel a Szovjetunióban* (Budapest: Pénzügyminisztériumi Kiadó, 1951), pp. 9–12.

[26] Kristy Ironside, *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union* (Cambridge, Mass.: Harvard University Press, 2021), p. 7.

[27] Z. V. Atlasz, 'A Bankok Államosítása És a Hitelrendszer Szerepe a Szovjet Nemzetgazdaságban', *Magyar-Szovjet Közgazdasági Szemle*, II.6 (1948), 23–29 (p. 23); Atlasz, *Pénzforgalom És Hitel a Szovjetunióban*, pp. 57–66.

[28] György Ránki, 'The Socialist Reorganization of the National Economy and the Five-Month Plan (1948)', *Acta Historica Academiae Scientiarum Hungaricae*, 10.3/4 (1964), 273–305 (pp. 279–81).

Hungarian communists viewed the private banking system as a hindrance to economic planning in Hungary.[29] In January 1948, under de facto communist control, the coalition government nationalised banks and merged commercial banks with the central bank, MNB. Until January 1987, MNB handled the emission of money and the short-term credit supply of state-owned firms through MNB's *egyszámlarendszer* (single account system).[30]

Hungarian Marxist economists adopted the Soviet line in propaganda to justify money's existence in socialism. They reasoned that the nationalisation of the 'means of production' put an end to exploiting workers, so money became 'decommodified' in communist Hungary. In other words, as Hungary's ownership structures transformed and banks were nationalised, money became simultaneously stripped of its exploitative function. Money in socialism, therefore, no longer signified capital but regained its 'original role' of measuring value as per the principle of 'from each according to his ability, to each according to his work'.[31]

Despite money's 'decommodification', from the late 1940s until at least the early 1960s, Hungarian Marxist economists argued that money's value in socialism was continuously determined by its relation to gold.[32] Only after the reintegration of economics into Hungarian academia during Imre Nagy's premiership from July 1953 economists began to increasingly dispute the validity of Marxist-Leninist dogma.[33] Nevertheless, until the late 1950s, Hungarian economists' assessment of money in socialism continued to revolve around

---

[29] Andor Berei, 'A Stabilizáció És a Hároméves Terv Perspektívái', *Társadalmi Szemle*, II.7–8 (1947), 482–92 (p. 491); László Háy, 'A Népi Demokrácia Hitelszervezetének Feladatai', *Társadalmi Szemle*, III.6–7 (1948), 463–68; László Hajmási, 'A 3 Éves Terv Megvalósítása Felé', *Társadalmi Szemle*, II.6 (1947), 422–27 (p. 426).

[30] János Kornai, *The Socialist System: The Political Economy of Communism* (Princeton: Princeton University Press, 1992), p. 132.

[31] Népszava, *A Pénzügyek És a Hitel Szerepe a Kapitalizmusban És a Szocializmusban* (Budapest: Népszava, 1949), pp. 15–18; Atlasz, *Pénzforgalom És Hitel a Szovjetunióban*, pp. 13–14.

[32] László Rudas, *Áru És Pénz* (Budapest: Magyar Kommunita Párt, 1946), pp. 11–12; László Rudas, *Áru És Pénz* (Budapest: Magyar Kommunita Párt, 1951), pp. 15–16; Márton Buza, *Áru-Érték-Pénz* (Budapest: Szakszervezeti Tanács Iskoláját Végzettek Szövetsége, 1948), pp. 6–10; Népszava, pp. 3–5.

[33] György Péteri, 'New Course Economics: The Field of Economic Research in Hungary after Stalin, 1953–6', *Contemporary European History*, 6.3 (1997), 295–327; László Szamuely and László Csaba, *Rendszerváltozás a Közgazdaságtanban - Közgazdaságtan a Rendszerváltozásban* (Budapest: Közgazdasági Szemle Alapítvány, 1998), pp. 7–8.

commenting on and generally accepting Soviet scholars' elaboration of Marx's money-gold equivalence.[34]

Only in the early 1960s did Hungarian economists challenge the empirical validity of the Marxist monetary theory.[35] In 1964, István Hagelmayer, for instance, convincingly demonstrated through logical reasoning that money in socialism had no relation to gold; instead, Hagelmayer's analysis confirmed that the forint, just like any other currencies in the capitalist West, was an abstract standard of credit created by the state with no inherent material value.[36] Eventually, after the publication of Hagelmayer's thesis, the credit theory of money in socialism became increasingly part of the university curriculum of economics in Hungary.[37]

3.2. Chartalism and the Credit Theory of Money

The empirical contributions of Hungarian monetarists of the 1960s corresponded with the German 'historical school of economics' 'chartalist' (state-centred) view of money in capitalism of the late nineteenth century. Chartalists argued that money becomes an accepted medium of exchange by fiat, that is, through the state decreeing the currency legal tender. Society, in turn, under legal pressure, must recognise the currency as a valid medium of exchange due to the compulsion of being taxed in the unit of account that the legal tender currency corresponds to.[38] From the beginning of the twentieth century, chartalists increasingly challenged the neoclassicals' 'barter theory of money', according to which, as in Marx's model,

---

[34] *A Pénz a Szocializmusban*, ed. by Tamás Kepes and László Milulinovits (Budapest: Közgazdasági és Jogi Könyvkiadó, 1955), pp. 115–97; Ilona Bieber, *Árutermelés. Áru És Pénz* (Budapest: Kossuth Kiadó, 1958), pp. 25–37.

[35] István Hagelmayer, 'Lehet-e Az Arany a Szocializmus Pénze?', *Közgazdasági Szemle*, IX.9 (1962), 1088–95; Mária Augusztinovics, *Pénzügyek a Szocializmusban* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1963), pp. 19–21; Miklós Riesz, *A Szocialista Gazdaság Hitelpénzforgalmának Egyes Kérdései* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1965), p. 5.

[36] István Hagelmayer, *Pénz a szocializmusban* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1964).

[37] For instance, see Miklós Riesz, *Pénzforgalom És Hitel* (Budapest: Tankönyvkiadó, 1970).

[38] Georg Friedrich Knapp, *The State Theory of Money* (London: MacMillan, 1924).

money developed from the market to improve direct material exchange, and that money obtained inherent value due to its historical link to gold.[39] Instead, chartalist economists reasoned that money has always been credit created into existence by the state.[40] One of the most convincing explanations of the 'credit theory of money' came from Alfred Mitchell-Innes in the early twentieth century. In an attempt to refute the neoclassicals' 'metalism' which argued that monetary value came from the commodity upon which money was based, Innes asserted that money has always represented an abstract relationship, both credit and debt, depending on which side one viewed the legal relationship from: 'What A owes to B is A's debt to B and B's credit on A.'[41] Like 'an ounce or a foot or an hour', Innes explained, money is a socially-constructed abstract standard installed by the state to measure obligations. Innes insightfully argued that

> The eye has never seen, nor the hand touched a dollar. All that we can touch or see is a promise to pay or satisfy a debt due for an amount called a dollar. […] We divide […] infinite credit and debt into arbitrary parts called a dollar or a pound, and long habit makes us think of these measures as something fixed and accurate; whereas, as a matter of fact, they are peculiarly liable to fluctuation.[42]

'The whole theory of money'—according to Innes—is that 'A's money is B's debt to him, and when B pays his debt, A's money disappears.'[43] As Schumpeter pointed out, money economies,

---

[39] The barter and metalist theories of money were introduced into neoclassical thought through Karl Menger. Karl Menger, 'On the Origin of Money', *The Economic Journal*, 2.6 (1892), 239–55.

[40] On some of the early supporters of the theory, see Knapp; Alfred Mitchell-Innes, 'What Is Money?', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham,: Edward Elgar Publishing, 2004), pp. 14–49; Alfred Mitchell-Innes, 'The Credit Theory of Money', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham,: Edward Elgar Publishing, 2004), pp. 50–78. Later proponents of the theory include John Maynard Keynes, *A Treatise on Money* (London: Macmillan & Co., 1930); Abba P. Lerner, 'Money as a Creature of the State', *The American Economic Review*, 37.2 (1947), 312–17; Joseph Schumpeter, *History of Economic Analysis* (New York, 1954); Joseph Schumpeter, *The Theory of Economic Development* (Cambridge: Harvard University Press, 1934).

[41] Alfred Mitchell-Innes, 'What Is Money?', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham: Edward Elgar Publishing, 2004), p. 30.

[42] Alfred Mitchell-Innes, 'The Credit Theory of Money', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham: Edward Elgar Publishing, 2004), pp. p. 56.

[43] Mitchell-Innes, 'What Is Money?', p. 42.

especially market societies, has been founded upon precisely this credit creation mechanism.[44] As Marc Bloch remarked, capitalism would collapse if everyone paid their debts.[45]

More recently, sociologists and anthropologists have further argued that the neoclassicals' market-based explanation of money's origin and commodity nature is flawed when confronted with historical evidence.[46] Empirical research has revealed that the state preceded extensive markets in instituting money.[47] Therefore, instead of resembling precious metals, money is constituted by social relations.[48] From the chartalist perspective, money is predominantly a token (a promise to pay) or in economic terms, a unit of account that states create through balance sheet transactions in the banking sector and redeem through taxation.[49]

The chartalist perspective of money helps recognise that money is neither a 'neutral veil' as argued by the neoclassical strand of economics, nor a direct symbolic representation of the commodity form and exploitation as Marx put forward; instead, money is constituted by social relations between the state (the issuer of money) and society, and among citizens (the users of money).[50] From this view, 'Money is produced in a struggle for power […] and the value of money is also a direct result of struggle'.[51] The credit theory of money helps illuminate the 'triangular power struggle' of conflicting interests within the social production of money

---

[44] Schumpeter, *The Theory of Economic Development*; Schumpeter, *History of Economic Analysis*.

[45] Quoted in Geoffrey Ingham, 'Fundamentals of a Theory of Money: Untangling Fine, Lapavitsas and Zelizer', *Economy and Society*, 30.3 (2001), p. 318.

[46] Nigel Dodd, *The Sociology of Money: Economics, Reason & Contemporary Society* (Cambridge: Polity Press, 1994); Nigel Dodd, *The Social Life of Money* (Princeton: Princeton University Press, 2014); Viviana A Zelizer, *The Social Meaning of Money* (New York: Basic Books, 1994); Nina Bandelj, Frederick F Wherry, and Viviana Zelizer, *Money Talks: Explaining How Money Really Works* (Princeton University Press, 2017); Ingham, *The Nature of Money*.

[47] For an excellent introduction to the subject, see Geoffrey Ingham, '"Babylonian Madness": On the Historical and Sociological Origins of Money', in *What Is Money?*, ed. by John Smithin (London: Routledge, 2000), pp. 16–41.

[48] The literature is vast. See, for instance, Philip Grierson, *The Origins of Money* (London: Athlone Press, 1977); Jonathan Parry and Maurice Bloch, *Money and the Morality of Exchange* (Cambridge: Cambridge University Press, 1989).

[49] For a detailed outline of this perspective's potential impact on present-day policy making, see L. Randall Wray, *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems* (London: Palgrave, 2012).

[50] Ingham, '"Babylonian Madness": On the Historical and Sociological Origins of Money', p. 19.

[51] Ingham, *The Nature of Money*, p. 78.

between the state, the banking system, and the various users of money.[52] Rethinking money along the credit theory has important implications not only for sociology but also for sociologically-informed historical research, and specifically, for the present thesis' assessment of transforming monetary relations from capitalism to socialism, as well as socialist monetary relations in Hungary, as I argue below.

3.3. Towards a Sociologically-informed Theory of Money in Socialism[53]

Kornai explained that while, at first glance, socialist economies seemed monetised, studying the actual processes of the socialist financial system revealed 'merely an apparent monetisation in many respects since the role played by money in some of the relations is only weak or secondary' under 'classical socialism'.[54] Kornai considered 'classical socialism' a 'semi-monetized system' as money failed 'to operate as a general medium of exchange' between the banking sector, the state budget, state-owned firms, and cooperatives. Kornai argued that due to increased political interference in economic allocation, state-owned firms and cooperatives in classical socialism functioned under a 'soft budget constraint' because they received regular external economic assistance, such as additional credits, tax reductions, subsidies, and the

[52] Specifically on this sociological reinterpretation of money, see Ingham, 'On the Underdevelopment of the 'Sociology of Money'', p. 14; Ingham, '"Babylonian Madness": On the Historical and Sociological Origins of Money'; Ingham, *The Nature of Money*; Geoffrey Ingham, *Money* (Medford: Polity Press, 2019); Michael Beggs, 'The State as a Creature of Money', *New Political Economy*, 22.5 (2016), 463–77; Jakob Feinig, 'Toward a Moral Economy of Money? Money as a Creature of Democracy', *Journal of Cultural Economy*, 13.5 (2020), 531–47.

[53] I use 'money in socialism' instead of 'socialist money' throughout the thesis to emphasise monies' likeness on the level of abstraction and in terms of socio-economic function regardless of economic system types. I argue that money in socialist and market conditions only differs in terms of the extent of constraints imposed over the creation and recreation of credit in the private sector as well as these restrictions' various socio-economic and cultural implications. For a counterargument cf. Garvey. Instead of constraints over crediting, Garvey deemed that communist states' different assignment of roles to money and credit rendered money in socialism different from its capitalist counterpart. George Garvey, *Money, Financial Flows and Credit in the Soviet Union* (Cambridge, Mass.: Ballinger Publishing Company, 1977), p. 4.

[54] Kornai, *The Socialist System*, p. 131. Kornai distinguished between two phases in socialist economic development: 'classical socialism' covering, for instance, the political structure and economy developed within the Soviet Union under Stalin and 'reform socialism' which began when reforms were implemented to reform Stalinist structures, such as ÚGM introduced in January 1968 in Hungary. See Kornai's definition in Kornai, *The Socialist System*, pp. 24–25.

increase of sale prices. Therefore, the nationalised sector generally had a weak responsiveness to prices leading to an overall lower efficiency in production.[55]

On the other end of the spectrum, Kornai argued that households in the formal and informal private economic sectors endured a 'hard budget constraint' because economic decision-making was constrained by the availability of money obtained in exchange for labour in the nationalised sphere or the sales of goods and services in the second economy.[56] Unlike nationalised firms, households could only legally increase purchasing power by applying for fixed-purpose loans at the socialist savings bank, for example, to build a home or purchase designated consumer durables. Alternatively, to increase spending autonomy by gaining non-earmarked money, households could either play the lottery (introduced in 1957 in Hungary as discussed in chapter five) in which the chance of winning was contingent on luck or resort to illegal or semi-illegal practices to gain a more predictable increase of income. Like in market societies, Kornai's analysis of socialist banking implicitly revealed a conflict of interest between the state (the exclusive issuer of money) on the one hand, and citizens (the users of money, that is, society at large) on the other, in communist countries.

While constraints over crediting in socialist regimes were radical relative to market societies, citizens' desire to increase purchasing power in socialist states was as significant as in the postwar West.[57] Because socialist regimes' priority was set on heavy industry at the expense of light industry, which generally produced to satisfy citizens' needs directly, households' demand for money was a constant issue for communist policy makers. Eastern European socialist regimes feared that citizens' loss of faith in the currency would lead to hoarding and forestalling, that is, the 'excessive' purchases of durables. They feared this would

[55] János Kornai, *Economics of Shortage, Volume B* (Amsterdam: North-Holland Publishing Company, 1980), pp. 302–11.
[56] Kornai, *Economics of Shortage, Volume B*, pp. 443–79.
[57] On consumption and an increase in consumer lending in the postwar U.S., see Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton: Princeton University Press, 2011), pp. 132–72.

result in shortages and endanger economic stability and the regime's overall legitimacy, which was premised on the promise of growing living standards.[58] Therefore, communists deemed controlling citizens' money demand crucial for socialist economic development.[59]

In early-socialist Hungary, the state used various means of fiscal control to shape citizens' perception of value and consumption behaviour. These ranged from 'hard controls', such as state-loans, direct taxes, the head-on elimination of options for credits, the policing of private economic activities, the increasing of work norms, and occasional price reductions; to 'soft controls', such as consumer credits, home construction loans, concealed price increases, the lottery and the betting pool (*totó*), and various forms of savings instruments, such as OTP savings deposits, savings stamps, and the KST savings deposits and loan scheme among others.

Maintaining or increasing citizens' purchasing power has been markedly different in liberal market economies than under communist dictatorships. While in liberal democracies, during the 'golden age of capitalism' between the early 1950s and the early 1970s, the institutionalisation of collective bargaining helped develop social security and increase real wages in the long run, in socialist regimes, where trade unions were subjected to the party-state, historians and social scientists—mainly during the Cold War—have argued that widespread resentment with poor living standards and the currency's low purchasing power predominantly manifested in the following two extremes: resignation on the one hand, and popular uprisings on the other, rather than peaceful negotiations, due to the lack of democratic channels.[60] Yet, since the 1980s in the Soviet Union, and the opening of archives in the early

[58] The 1952 Hungarian film *Állami Áruház* (The State Department Store) is one of the best representations of the communist regime's fear of hoarding and forestalling in the Stalinist period of acute shortages. The 1953 Plzeň uprising is also representative of the political consequences of inflation in socialism. In May–June 1953, the Czechoslovakian communist government implemented a currency reform in response to which thousands rose in violent protests. For more on this event, see Kevin McDermott, 'Popular Resistance in Communist Czechoslovakia: The Plzeň Uprising, June 1953', *Contemporary European History*, 19.4 (2010), 287–307.
[59] On communist conceptions of finance, see Atlasz, *Pénzforgalom És Hitel a Szovjetunióban*; Garvey.
[60] On the institutionalisation of collective bargaining in the postwar West, see Barry Eichengreen, *The European Economy since 1945: Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2007), pp. 31–47.

1990s in Eastern Europe, social histories of communism have shown that state-society 'negotiations' in socialist regimes took diverse forms and had a multitude of other consequences than what the above binary has been able to convey.[61] For instance, this scholarship has shown that the workforce, even in Stalinist dictatorships, retained considerable control over the production process and wages.[62] Using the disorderly planned economy to their advantage, citizens developed wide-ranging tactics to counteract state power when their income either failed to cover bare subsistence or maintain their expectation of an equitable standard of living.[63]

The 'second economy' was extensive, and informal economic practices were widespread in socialist regimes because people considered these as means to better economic provisioning.[64] Citizens contested the state's fiscal authority, for instance, through tax evasion and black marketeering, or in the 'second' or 'informal economy' to realise extra profits. Other practices included, for instance, the manufacturing using raw materials from the West for sale, the selling of IKKA packages in Hungary, and the selling of winning lottery tickets with profit to individuals in need of immediate cash.[65] On the one hand, the state attempted to shape and channel citizens' consumer aspirations through the combination of various policy instruments,

[61] These acts are often referred to as 'passive' or 'infrapolitical' forms of resistance in the literature. On the concepts, see James C. Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985); James C. Scott, *Domination and the Arts of Resistance* (New Haven: Yale University Press, 1992).

[62] For instance, see Donald Filtzer, *Soviet Workers and Stalinist Industrialization, 1928-1941* (New York: M. E. Sharpe, 1986); Lewis H. Siegelbaum, *Stakhanovism and the Politics of Productivity in the USSR, 1935-1941* (Cambridge: Cambridge University Press, 1988); *Making Workers Soviet: Power, Class, and Identity*, ed. by Lewis H. Siegelbaum and Ronald Grigor Suny (Ithaca: Cornell University Press, 1994); Stephen Kotkin, *Magnetic Mountain: Stalinism as a Civilization* (Berkeley: University of California Press, 1995); Padraic Kenney, *Rebuilding Poland: Workers and Communists, 1945-1950* (Ithaca: Cornell University Press, 1997); Mark Pittaway, *The Workers' State: Industrial Labor and the Making of Socialist Hungary, 1944-1958* (Pittsburgh: University of Pittsburgh Press, 2012).

[63] Pittaway, 'The Social Limits of State Control: Time, the Industrial Wage Relation, and Social Identity in Stalinist Hungary, 1948-1953'; Osokina, 'Economic Disobedience under Stalin'.

[64] Maria Łoś, 'Introduction', in *The Second Economy in Marxist States*, ed. by Maria Łoś (New York: Palgrave Macmillan, 1990), pp. 1–10. (p. 6).

[65] The OSA's Hungarian 'subject files' collection (OSA 300-40-2) holds many documents concerning these practices.

propaganda, and coercive mechanisms. On the other hand, the public resisted and adapted to state power to stay afloat or gain economic advantage. As a way of privatising the promise of a communist utopia of material abundance and continuous rise in living standards, reform socialist regimes eventually condoned, and in Hungary from the mid-1970s even supported, the informal economy to maintain political stability.[66] The value of the currency served as a measure of the quality of life for citizens. As I argue in this thesis, money was vital both to eliciting political change and to legitimise or delegitimise state power in Hungary between 1945 and 1958.

4. Socio-economic Histories of Postwar and Early-socialist Hungary: historiographical overview

From the inception of communist power in Eastern Europe after the ending of World War II in 1945, historical accounts of communism, within and without the Eastern Bloc, had been predominantly influenced by hostilities and ideological antagonism between East and West during the Cold War.[67] Social and economic studies of communism in Hungary were no exception to this as explained in the following paragraphs.

During the postwar and early Cold War years, Western accounts of postwar and socialist Hungary generally interpreted political and social processes through the prism of the 'totalitarian' perspective.[68] These accounts portrayed the communist state as an omnipotent

[66] On the regime's support of the second economy in Hungary, see Rudolf Andorka, 'The Importance and the Role of the Second Economy for the Hungarian Economy and Society', *Aula*, 12.2 (1990), 95–113 (pp. 97–98).
[67] For an excellent discussion of Western history writing of Stalinism, see Ariane Madeleine Melodie Galy, 'Creating the Stalinist Other: Anglo-American Historiography of Stalin and Stalinism, 1925-2013' (Unpublished PhD Thesis, The University of Edinburgh, 2014).
[68] 'Totalitarianism' as an analytical concept was first elaborated by Hannah Arendt. See Hannah Arendt, *The Origins of Totalitarianism* (New York: Harcourt, Brace & Co., 1951). The concept was further developed by political scientists Carl Friedrich & Zbigniew Brzezinski. See Carl Friedrich and Zbigniew Brzezinski, *Totalitarian Dictatorship and Autocracy* (Cambridge: Harvard University Press, 1956). On the history and various uses of 'totalitarianism' as an anlytical concept by Sovietologists in the Cold War, see Abbott Gleason, *Totalitarianism: The Inner History of the Cold War* (Oxford: Oxford University Press, 1995), pp. 121–42.

entity with unrestricted power over the course of social and economic processes, leaving no space for individual liberties and aspirations. In these accounts, Stalinism was a necessary consequence of Hungary's Soviet invasion in 1945. These accounts argued that Hungarian communists gained and maintained power by constantly exploitating both physical and human capital. According to this literature, Hungarian society was doubly colonised: first by the Soviet Union, whose interest was unconditionally served by the Hungarian Muscovite leadership at least until 1956, and second by the Hungarian state itself which submitted national interest to the political and economic whims of the Soviet Union at the expense of Hungarian citizens' material wellbeing.[69]

In contrast to Western studies of the early Cold War, Marxist social histories of the postwar in Hungary portrayed the period as 'cooperation' between the Communist Party and the 'working class'. In these accounts, the Communist Party, as 'the vanguard party of the proletariat', led Hungary out of economic turmoil by controlling supply and demand and increasing economic output to accomplish the currency reform.[70] Marxist histories portrayed workers and peasants as homogenous classes who willingly gave up their autonomy and

[69] 'Eye-witness' accounts of communist takeover in Hungary tend to especially favour this position. For instance, see Ferenc Nagy, *The Struggle Behind the Iron Curtain* (New York: Macmillan Company, 1948); Ferenc Gordon, '1945-47 Történetéhez (I.)', *Látóhatár*, V.6 (1954), 360–72; Ferenc Gordon, '1945-47 Történetéhez (II.)', *Látóhatár*, VI.1 (1955), 29–44; Louis Mark Jr., 'The View from Hungary', in *Witnesses to the Origins of the Cold War*, ed. by Thomas Taylor Hammond (Washington: University of Washington Press, 1986), pp. 186–209.; Imre Kovács, *Magyarország Megszállása* (Budapest: Katalizátor Iroda, 1990); Artúr Kárász, *80 Év a Föld Körül* (Budapest: Bethlen Gábor Könyvkiadó, 1990). Although more nuanced in exposition, more recently Kenez also applied the concept to explain Hungary's Sovietisation after 1945. See Peter Kenez, *Hungary from the Nazis to the Soviets* (Cambridge: Cambridge University Press, 2006). With respect to the economy, top-down approaches, reflecting on the Soviet Union's exploitation of postwar Hungary, are still dominant in the historical literature. For instance, see László Borhi, *Hungary in the Cold War, 1945-1956* (Budapest: Central European University Press, 2004), pp. 139–96. Contemporaries sympathetic to Soviet foreign policy towards Eastern Europe in the postwar also preferred to use a top-down approach like the later 'totalitatianism' scholarship. For instance, see Doreen Warriner, *Revolution in Eastern Europe* (London: Turnstile Press, 1950). More recently, György Majtényi has applied the 'totalitarian' perspective to assess how the Kádár regime strove to 'atomise' society to maintain power. See György Majtényi, *Egy forint a krumplis lángos: a Kádár-kor társadalma* (Budapest: Libri Kiadó, 2018).

[70] This line is most typical of economic histories published in the 1960s. For instance, see Iván Berend T., *Újjáépítés És a Nagytőke Elleni Harc Magyarországon, 1945–1949* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1962); Ránki, *Magyarország Gazdasága Az Első 3 Éves Terv Időszakában: 1947-1949*; Iván Berend T., 'Az 1946. Évi Stabilizáció', *Közgazdasági Szemle*, XIII.7–8 (1966), 890–98.

altruistically took the brunt of the inflation amid constant 'enemy' attacks by the 'fascist' remnants of capitalism, speculators, and the Communist Party's democratic opposition to deliver a 'socialist revolution' in Hungary.[71] While Marxist histories acknowledged society as a powerful force in the history of postwar Hungary, the pervasiveness of Marxist-Leninist teleology of these accounts distorted and simplified state-society relations of the period. In sum, both totalitarian and Marxist interpretations reified the state and society. In both approaches, the state was portrayed as a fully top-down entity while Hungarian citizens were either passive victims of communist aggression or idealised champions of a struggle against the feudal remnants of 'big capital' and exploitation.

While social histories in Hungary continued to be framed in Marxist-Leninist teleology's inevitability of a 'socialist revolution' in Hungary well into the 1980s, in the 1970s, sociology in Hungary began to put the 'second' or the 'informal economy' into the centre of academic enquiry.[72] These studies mainly focused on the development of informal practices in private economic management after the implementation of economic reforms under János Kádár, either after the revolution of 1956 or the introduction of ÚGM in 1968. Since the core of this research was commissioned by the Hungarian party-state, which strove to find new

[71] For instance, see, Béla Balázs, 'A Nemzeti Bizottságok Szerepe Népi Demokráciánk Létrejöttében', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó (Budapest: Akadémiai Kiadó, 1955), pp. 155–236.; János Molnár, 'A Munkás- És Parasztttömegek Harca a Kommunista Párt Vezetésével a Reakció Ellen', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó, 293–372 (Budapest: Akadémiai Kiadó, 1955), pp. 155–236.; *A Munkásosztály Az Újjáépítésért, 1945-1946. Dokumentumok*, ed. by Sándor Rákosi and Erzsébet Strassenreiter (Budapest: Kossuth Könyvkiadó, 1960); Béla Balázs, *Népmozgalom És Nemzeti Bizottságok 1945-1946* (Budapest: Kossuth Könyvkiadó, 1961); *Az Üzemi Bizottságok a Munkáshatalomért, 1944-1948*, ed. by Károly Dr. Jenei, Béla Rácz, and Erzsébet Strassenreiter (Budapest: Táncsics Könyvkiadó, 1966); Miklós Habuda, *A Magyar Szakszervezetek a Népi Demokratikus Forradalomban 1944–1948* (Budapest: Népszava Lap- és Könyvkiadó, 1986); János Rácz, *Az Üzemi Bizottságok a Magyar Népi Demokratikus Átalakulásban 1944-1948* (Budapest: Akadémiai Kiadó, 1971); Béláné Beszteri, 'A Tanácsrendszer Létrehozása, a Tanácsok Tevékenységének Alakulása a Szocializmus Alapjai Lerakásának Időszakában. Vizsgálat Veszprém Megyei Modell Alapján (1945-1962)' (Thesis of Academic Candidacy, József Attila Tudományegyetem, 1979); Mihály Korom, *A Népi Bizottságok És a Közigazgatás Magyarországon, 1944-1945* (Budapest: Kossuth Kiadó, 1984).

[72] The literature on the Hungarian 'second economy' is vast. For a more elaborate review, see the introduction of chapter 3. A critical work on the subject is István Gábor R. and Péter Galasi, *A 'Második' Gazdaság: Tények És Hipotézisek* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1981). In English, see Péter Galasi and György Sziráczki, *Labour Market and Second Economy in Hungary* (New York: Campus, 1985).

means to increase economic growth and living standards, a critical appraisal of relations between the communist state and society was absent from these publications; instead, citizens were portrayed as mere rational utility maximising agents who due to limitations of the formal socialist economy sought alternative means to increase disposable income.[73] Meanwhile, scholars publishing in the West and facing no such political constraints, argued that the market aided citizens in correcting inequalities in the context of an inefficient redistributive economy.[74] These studies' were overwhelmingly epistemologically positivist and methodologically ahistorical in their approach to studying socio-economic processes. Moreover, these studies predominantly framed their analysis in terms of conventional neoclassical theory leaving citizens' everyday practices and aspirations absent from their narrative. While this scholarship made significant advances in theorising the extent of the informal private sector in Hungary's mixed economy in the Kádár era, these studies' exclusive focus on the reform socialist period suggested that private initiatives only emerged due to reforms in state policy after the October revolution of 1956.

Only in recent decades have historians introduced workers, peasants, women, the youth, children, agitators, minorities, and commuters to the centre stage of the history of Hungarian socialism.[75] Instead of a top-down approach or rewriting the history of socialism from the

---

[73] On the history of the 'second economy' scholarship in Hungary, see Germuska, '„De Hát Eszerint a Szocializmus Bedobhatja a Törülközőt?". Második Gazdaság a Kádár-Korszakban'.

[74] Ivan Szelenyi, 'Social Inequalities in State Socialist Redistributive Economies', *International Journal of Comparative Sociology*, 19.1–2 (1978), 63–87; Ivan Szelenyi, *Urban Inequalities Under State Socialism* (Oxford: Oxford University Press, 1983).

[75] For a review of new social and cultural histories, see Joanna Goven, 'The Gendered Foundations of Hungarian Socialism: State, Society, and the Anti-Politics of Anti-Feminism' (Unpublished PhD Thesis, University of California at Berkeley, 1993); Lynne A. Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002); Éva Fodor, *Working Difference: Women's Working Lives in Hungary and Austria, 1945–1995* (Durham: Duke University Press, 2003); *Munkástörténet - Munkásantropológia*, ed. by Sándor Horváth, László Pethő, and Eszter Zsófia Tóth (Budapest: Napvilág Kiadó, 2003); Andrea Pető, *Women in Hungarian Politics, 1945-1951* (Boulder: East European Monographs, 2003); Karl Brown, 'Regulating Bodies: Everyday Crime and Popular Resistance in Communist Hungary, 1948-1956' (Unpublished PhD Thesis, The University of Texas at Austin, 2007); Eszter Zsófia Tóth, *„Puszi Kádár Jánosnak". Munkásnők Élete a Kádár-Korszakban Mikrotörténeti Megközelítésben* (Budapest: Napvilág Kiadó, 2007); Gyöngyi Farkas, 'Hatalom És Falusi Társadalom Az 1950-Es Években. Tüntetések a Kollektivizálás Ellen.' (Unpublished PhD Thesis, ELTE, 2010); Pittaway, *The Workers' State*; Eszter Bartha, *Alienating Labour: Workers on the Road from Socialism to Capitalism in East Germany and Hungary* (Oxford: Berghahn,

ground-up as practised by 'revisionist' scholars studying Soviet society in the 1970s, new social accounts reflected on the various practices of citizens' resistance and adaptation strategies to state power and everyday life under communist rule in Hungary.[76] Through the 'limits of dictatorship' perspective, these studies have argued that the communist regime more often acted reactively rather than proactively in its policy implementation and everyday approach to citizens. In addition, social histories have argued that cooperation between authorities and individuals, especially on local levels, was more often the norm than the exception amid shortages and other everyday economic uncertainties elicited by the disorderly planned economy and an indecisive and fragmented party leadership.[77]

Nuancing the 'limits of dictatorship' approach, more recently, a new branch of scholarship on communism in the Soviet Union and Eastern Europe has begun to reclaim conventional economic categories, such as commerce and trade, wages, pension, housing, consumption, inflation, and overall monetary value, to the study of social and cultural history.[78] Concerning Stalinism and post-Stalinism, these studies have convincingly argued that citizens'

2013); Beth Marie Greene, 'Socialist Popular Culture and Youth Culture during the Long 1960s in Hungary' (Unpublished PhD Thesis, University of California, 2013); Horváth, *Stalinism Reloaded*; Martin Gulyás, '„Szocializmust Akarunk, de Magyar Úton" A Forradalmi Munkástanácsok a Szocialista Rendszer Szétesése És Újjáépülése Időszakában (1956–1957)' (Pázmány Péter Katolikus Egyetem, 2019); Eszter Varsa, *Protected Children, Regulated Mothers: Gender and the 'Gypsy Question' in State Care in Postwar Hungary, 1949–1956* (Budapest: Central European University Press, 2021); Zsófia Kisőrsi, 'Az Államszocializmus Ingázóinak Társadalmi Helyzete És Megítélése Vas Megyében (1960–1990)' (Unpublished PhD Thesis, ELTE, 2021); Sándor Horváth, *Children of Communism* (Bloomington: Indiana University Press, 2022); Heléna Huhák, *Agitátorok* (Budapest: Jaffa Kiadó, 2022).

[76] On the 'revisionist' challenge to the 'totalitarian paradigm' in the 1970s, see Sheila Fitzpatrick, 'Revisionism in Soviet History', *History and Theory*, 46.4, (2007), 77–91.

[77] Mary Fulbrook, for instance, termed East Germany as a 'participatory dictatorship' to denote 'the ways in which the people themselves were at one and the same time both constrained and affected by, and yet also actively and often voluntarily carried, the ever changing social and political system of the GDR'. See Mary Fulbrook, *The People's State: East German Society from Hitler to Honecker* (New Haven: Yale University Press, 2008).

[78] For instance, see Julie Hessler, *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917-1953* (Princeton: Princeton University Press, 2004); Amy E. Randall, *The Soviet Dream World of Retail Trade and Consumption in the 1930s* (London: Palgrave Macmillan, 2008); Mark B. Smith, *Property of Communists: The Urban Housing Program from Stalin to Khrushchev* (DeKalb: Northern Illinois University Press, 2010); Sándor Horváth, *Két Emelet Boldogság. Mindennapi Szociálpolitika Budapesten a Kádár-Korban* (Budapest: Napvilág Kiadó, 2012); James W. Heinzen, *The Art of the Bribe: Corruption Under Stalin, 1943-1953* (New Haven: Yale University Press, 2016); Christine Varga-Harris, *Stories of House and Home: Soviet Apartment Life During the Khrushchev Years* (Ithaca: Cornell University Press, 2016).

everyday experience in the socialist economy, e.g. in terms of money's purchasing power, the standard of living, and access to consumer durables, shaped the ways in which communist power was implemented and maintained throughout the socialist bloc. Recently, scholars have provided the basis for a new research agenda on 'socialist consumption' and the 'socialist citizen-consumer'.[79] These studies have argued that 'consumerism' in socialism had its own rules and patterns different to the American experience. Historical studies on consumption in socialism have shown the various ways in which tensions between Marxist-Leninist ideology's embrace of bringing abundance to workers and the state's economic priorities (which increasingly compelled socialist states to manage the needs and desires of citizens) characterised consumption practices in the socialist bloc.[80] Overcoming this fundamental tension, however, 'required constant negotiation of the boundaries of the ideologically and morally acceptable', which led to unexpected consequences in the social, economic, and even political structures of socialist states.[81]

Specifically, concerning the East German currency, Jonathan Zatlin has argued that the low purchasing power of the East German mark helped citizens perceive a widening gap

[79] David Crowley and Susan Emily Reid, 'Introduction: Pleasures in Socialism?', in *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc*, by David Crowley and Susan Emily Reid (Evanston: Northwestern University Press, 2010), pp. 3–51.; Paulina Bren and Mary Neuburger, 'Introduction', in *Communism Unwrapped: Consumption in Cold War Eastern Europe*, ed. by Paulina Bren and Mary Neuburger (New York: Oxford University Press, 2012), pp. 3–25.

[80] Some of the recent publications on consumption practices and patterns in the Eastern Bloc include Elena Osokina, *Our Daily Bread: Socialist Distribution and the Art of Survival in Stalin's Russia, 1927–1941* (New York: Sharpe, 2001); Susan E. Reid, 'Cold War in the Kitchen: Gender and the De-Stalinization of Consumer Taste in the Soviet Union under Khrushchev', *Slavic Review*, 61.2 (2002), 211–52; *Consuming Germany in the Cold War*, ed. by David F. Crew (Oxford: Berg, 2003); Jukka Gronow, *Caviar with Champagne: Common Luxury and the Ideals of the Good Life in Stalin's Russia* (Oxford: Berg, 2003); Randall; David Crowley and Susan Emily Reid, *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Evanston: Northwestern University Press, 2010); *Communism Unwrapped: Consumption in Cold War Eastern Europe*, ed. by Paulina Bren and Mary Neuburger (New York: Oxford University Press, 2012); Natalya Chernyshova, *Soviet Consumer Culture in the Brezhnev Era* (New York: Routledge, 2013); *The Socialist Good Life: Desire, Development, and Standards of Living in Eastern Europe*, ed. by Cristofer Scarboro, Diana Mincyte, and Zsuzsa Gille (Bloomington: Indiana University Press, 2020); Béla Tomka, *Austerities and Aspirations: A Comparative History of Growth, Consumption, and Quality of Life in East Central Europe since 1945* (Budapest: Central European University Press, 2020); Tibor Valuch, *Everyday Life under Communism and After: Lifestyle and Consumption in Hungary, 1945–2000* (Budapest: Central European University Press, 2022).

[81] Bren and Neuburger, *Communism Unwrapped: Consumption in Cold War Eastern Europe*, p. 9.

between Marxist-Leninist ideology's utopian promise of material abundance and its everyday realisation of shortages and long waiting lists for durables. Zatlin argued that, unlike other socialist states, the proximity of capitalist West Germany to the GDR further helped citizens contrast the purchasing power of East German money to the more substantial purchasing power of the West German D-Mark. Through their perception of these currencies' value, citizens questioned communist propaganda. Zatlin argued that while the national currency helped citizens satisfy 'basic needs', the D-Mark helped fulfil 'desires' signified by Western consumer durables.[82] In sum, Zatlin argued that the relatively low purchasing power of the currency assisted in delegitimising the East German political establishment.

Instead of authorities' general 'antipathy toward money' as in the GDR, in the case of the postwar Soviet Union, Kristy Ironside argued that Soviet leaders considered the Soviet ruble a powerful instrument to help deliver prosperity to the masses.[83] Authorities deemed that a 'full-value ruble' would help incentive workers to raise labour productivity and economic growth. The postwar Soviet state made public provisioning a priority to realise these goals. The state provided citizens with various economic 'guarantees' such as gradually increasing money income, annual price reductions, tax cuts, and pension security, among others. Ironside has shown that, even in the Soviet Union, where scholars have long thought that money was meaningless and patronage and personal connections (*blat*) had a larger role in helping citizens satisfy material needs, the value of money was of central importance to Soviet households which they measured through prices, taxes, pensions, and wages.[84]

In other Eastern European states and the Soviet Union, where experiences with Western currencies could not be as wide-ranging as in the GDR, especially during Stalinism, scholars

---

[82] Jonathan R. Zatlin, *The Currency of Socialism: Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2007), pp. 14–15.
[83] Ironside, *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union*.
[84] On *blat*, see Sheila Fitzpatrick, *Everyday Stalinism: Ordinary Life in Extraordinary Times: Soviet Russia in the 1930s* (Oxford: Oxford University Press, 2000).

have elaborated on the various ways in which hard currency stores, such as Torgsin and Beriozka in the Soviet Union, Intertourist in Hungary, Tuzex in Czechoslovakia, Pewex in Poland, and Corecom in Bulgaria, challenged socialist regimes' promise of simultaneously attaining industrial development and material abundance on a par with the West. Through revealing this underlying tension between ideology and practice, scholars have argued that hard currency stores increasingly delegitimised the socialist system from within by showing that an alternative, more abundant system existed to the socialism of shortages, waiting lists, and long queues.[85]

The present thesis aims to join this recent practice of combining social research with assessing the economy in postwar and early-socialist Hungary. Instead of looking at various aspects of socialist economic life such as consumption or hard currency stores individually, the thesis uses money as a lens and the state as its point of departure to nuance existing scholarship on the socio-economic transformation of postwar Hungary.

5. Sources

The thesis is primarily based on a qualitative historical analysis of previously unused archival materials sourced from the *Magyar Nemzeti Levéltár* (Hungarian National Archives—MNL), *Pest Megyei Levéltár* (Pest County Archives—PML), *Budapest Főváros Levéltára* (Budapest City Archives—BFL), and the Open Society Archives at the Central European University (OSA). The thesis' archival source base has been further complemented by other published

[85] Rossitza Guentcheva, 'Mobile Objects: CORECOM and the Selling of Western Goods in Socialist Bulgaria', *Études Balkaniques*, XLV.1 (2009), 3–28; Paulina Bren, 'Tuzex and the Hustler: Living It Up in Czechoslovakia', in *Communism Unwrapped: Consumption in Cold War Eastern Europe*, ed. by Paulina Bren and Mary Neuburger (New York: Oxford University Press, 2012), pp. 27–48.; Anna Ivanova, 'Shopping in Beriozka: Consumer Society in the Soviet Union', *Zeithistorische Forschungen*, 10.2 (2013), 243–63; Annina Gagyiova, *Vom Gulasch Zum Kühlschrank: Privater Konsum Zwischen Eigensinn Und Herrschaftssicherung Im Sozialistischen Ungarn (1956-1989)* (Wiesbaden: Harrassowitz, 2020); Annina Gagyiova, 'Legitimizing Socialism? Hard-Currency Stores and Western Goods in Hungary, 1956–1989', *Hungarian Studies Review*, 48.1 (2021), 19–47; Elena Osokina, *Stalin's Quest for Gold: The Torgsin Hard-Currency Shops and Soviet Industrialization* (New York: Cornell University Press, 2021).

primary historical evidence, such as periodicals, journals, propaganda materials, and various academic publications. Participant observation and oral history were not options for this research given the temporal limitations of the study.

Instead of using a conventional case study approach, such as focusing on fixed social groups, geographical areas, or industrial sites, the thesis uses five thematic cases related to monetary instruments to illustrate four critical stages in the development of postwar Hungary's fiscal policy design and implementation, and more broadly, changes in the state's fiscal contract (the means of policy implementation and propaganda) and its repercussions (the development of informality, the second economy, black markets, and various forms of economic resistance and adaptation strategies). Namely, these four stages are the sudden devaluation and successive *establishment of the currency* during and after the hyperinflation of 1945–1946; the communist state's coercive practice of reducing citizens' purchasing power to *fund Stalinism* from 1949 through direct taxes and state-loans; the Imre Nagy government's reforms of easing repression and increasing welfare through *financing citizens*, for instance, by facilitating private home build from 1954; and finally, the economic origins of the revolution of 1956 and the introduction of the lottery under János Kádár's term as general secretary of the Communist Party in 1957 which signified the beginning of the *consolidation of the state's fiscal contract*. This methodology has allowed me to address wide-ranging issues and topics in a longer timespan which, otherwise, based on a narrower focus of analysis, would have been unattainable.

I have categorised sources of the thesis into three groups based on origin and place of production. These are sources *produced by the state*; *produced for the state*; and *produced outside the state*. The first category refers to sources compiled by Hungarian authorities at all levels bound by the conventional power structures of either the democratic or the communist state. Concerning the postwar democratic era, I have sourced such materials mainly from the

party archives of MKP and SZdP at MNL.[86] Since the organisation of files relating to the post-1945 period at MNL began during the life of communism in Hungary, materials relating to the workers' parties are overrepresented in official records *vis-à-vis* other prominent parties of the era, such as the FKgP; despite FKgP's popularity in Hungarian society and an absolute majority in the parliament during the democratic period from 1945 until summer 1947. To mitigate this selection bias, I have further consulted the fragmented archives of the FKgP currently held at *Rendszerváltás Történetét Kutató Intézet és Archívum* (Institute and Archive for Researching the History of Regime Change in Hungary—RETÖRKI). Furthermore, in order to gain an in-depth understanding of the process of policymaking during the coalition years of 1945–1948, the files of various ministries and state organs, which were under the influence of different coalition parties at the time, were used. The files of PM, GF, and minutes of the Council of Ministers were of exceptional value in this regard.

In terms of the socialist period after 1948, I have relied extensively on records of the administrative sections of the Communist Party as well as records of ministries and other policy-making bodies held at MNL. I have sourced materials relating to local (city, district, and village) levels of the public administration (council) system from PML and BFL. Files of the Communist Party's Pest County and Budapest organisations were also sourced from these institutions, respectively. Concerning the everyday mechanisms of agitation, means and uses of propaganda, and party agitators' reports of interaction with workers as well as workers' reception of or resistance to propaganda in the Stalinist period, the Communist Party's Budapest organisation's *hangulatjelentések* (mood reports) housed in BFL proved immensely valuable. This source type can be especially prone to internal bias, demanding increased vigilance and historical criticism. Mood reports can be considered cases of 'speaking

[86] These materials were previously held by the *Politikatörténeti Levéltár* (Party History Archives) until the nationalisation act of archival documents in 2012. Due to a prolonged legal dispute between the Party History Archives and the Hungarian government, I could not gain access to materials relating to SZOT during my archival research in Hungary.

Bolshevik' in which agitators imitated the regime's preferred line of communication to conform to required norms or even to reach personal goals.[87] Agitators compiled mood reports to suit what they imagined superiors wanted to hear. Therefore, many mood reports contained praises of workers conforming with the party's promoted line of citizenry conduct, such as excessive personal dedications during shock work or state-loan campaigns. Reading these reports 'against the grain' and in conjunction with other types of primary and secondary source materials, however, yielded invaluable insights into agitators' interpretation of citizens' views of political events and the various stages of repercussions applied by propagandists against dissenting voices.[88]

I have also relied extensively on social historical materials, which I refer to here as sources *produced for the state*. These were mainly personal letters, complaints, petitions, proposals, and other forms of correspondence between state authorities (e.g. ministries and councils) and citizens. In addition, I have consulted various periodicals such as the party-state's official news outlets *Szabad Nép* and *Népszabadság* (Free People until 1956, Liberty of the People from 1956), *Szabad Újpest* (Free Újpest), FKgP's *Kis Ujság* (Small Newspaper), SZdP's *Népszava* (Word of the Nation), NPP's *Szabad Föld* (Free Land)*, Magyar Nemzet* (Hungarian Nation), *Esti Budapest* (Evening Budapest), and various other factory newspapers. While in the post-1948 period, newspapers served propaganda purposes of the communist party-state, in the immediate postwar era, media pluralism allowed the publication of newspapers of different political colours; however, the playing field was far from even. By controlling the paper supply, the Communist Party exercised control over what could be published in the news and the extent to which papers were allowed to circulate in public.[89] Yet,

[87] Huhák, pp. 22–39.

[88] For an excellent analysis of the various problems associated with public opinion reports during Stalinism, see Sarah Davies, *Popular Opinion in Stalin's Russia: Terror, Propaganda and Dissent, 1934-1941* (Cambridge: Cambridge University Press, 1997), pp. 9–17. Also, see Fitzpatrick, 'Popular Opinion Under Communist Regimes'.

[89] Béla Petrovics, 'A népi demokráciák műhelytitkaiból (VII.)', *Új Kelet*, 24 July 1953, p. 10.

these papers proved invaluable for gaining insights into the various ways the hyperinflation, as well as citizens' experience of the devaluation, were represented by the media in the period.

Finally, I have consulted sources that I refer to as materials constructed *outside the state*'s purview. These are mainly interviews that employees of the RFE conducted with Hungarian escapees upon arrival in Western refugee camps during Stalinism, and tourists and visitors in later periods of reform socialism, to be used as background material for radio programmes broadcasted to the East. These Hungarian-language interview transcripts (referred to as 'items' by the RFE or 'subject files' by the archives) are currently housed in the OSA. These sources were especially valuable for providing insights into citizens' economic practices and living standards in early-socialist Hungary. In these records, interviewees spoke candidly about their everyday living experience in Hungary beginning during Stalinism in 1952. Escapees shared private views of the political establishment as well as illegal practices in economic self-management. These are information which usually remain hidden in materials generated by the public administration or in personal letters submitted to authorities. While the Hungarian state bias is negligible in interviews held at OSA, the RFE's role as an anti-communist U.S. government-funded organisation raises alarm of these records' practical usefulness. For instance, we know that some interviewees received payment for their contribution and thus had a vested material interest in providing information that could seem most valuable to interviewers.[90] Employees of the RFE, however, had a solid interest in verifying and cross-checking interviews to establish accuracy, as RFE believed that only accurate information could make the desired impact on the Hungarian population tuning in to RFE's anti-communist broadcast in Hungary.[91] Luckily, the interviewers' evaluation of accuracy and cross-checking of facts are present on the first page of each transcript. Therefore,

[90] István Rév, *Retroactive Justice: Prehistory of Post-Communism* (Stanford: Stanford University Press, 2005), p. 266.
[91] Mark Pittaway, 'The Education of Dissent: The Reception of the Voice of Free Hungary, 1951–56', *Cold War History*, 4.1 (2003), 97–116 (p. 110).

using this as well as contrasting transcripts with other materials produced within Hungary, RFE interviews cited in the thesis are trusted to be accurate and representative of the experiences of certain socio-economic groups in the period.

6. Thesis Structure

The thesis consists of five chapters, each covering a particular stage in the development of state-society relations in Hungary between 1945 and 1958. Each chapter uses an economic phenomenon or monetary instrument distinctive to the period under analysis as a lens to assess socio-economic processes. Namely, these are, in chapter 1, the hyperinflation (1945–1946); in chapter 2, state-loans (1946–1955); in chapter 3, direct taxation (1945–1956); in chapter 4, credits and home construction loans (1953–1956); and in chapter 5, consumption and the lottery (1953–1958). As the above instruments often co-existed concurrently, the time scopes of chapters mostly overlap.

Chapter 1 looks at Hungary's immediate postwar conditions between the end of 1944, when the Soviet Red Army crossed Hungary's Eastern borders and 1 August 1946, when the new currency, the forint, was introduced. The chapter presents an overview of the postwar political and economic climate, the extent of damages incurred by Hungary during the war, the origins and impact of inflation in the first half of 1945 and the beginning of the hyperinflation from July 1945 until the implementation of the currency reform in August 1946. The world-record hyperinflation of 1945–1946 provides an exceptional opportunity to gain insights into the paradoxical relationship between the state's aim of keeping a tight grip on finances on the one hand and producers' and consumers' flexible valuation of money on the other.

The chapter assesses this conflict of interest through the state's anti-inflationary measures and their impact and citizens' interpretation of state policy. In doing so, the chapter presents a new perspective on the history of the hyperinflation and economic, political, and

social change in postwar Hungary. It shows that overwhelmingly pragmatic considerations inspired economic decision-making instead of economic ideologies. These included but were not limited to, the following interrelated goals: public provisioning, financing government expenditure, restarting and rebuilding the economy, and mitigating the rate of currency depreciation. Therefore, stabilising the price level and implementing a currency reform are conceived as the sum of these objectives instead of a sole and immediate government plans between April 1945 and April 1946. This perspective puts the relationship between government policy outcomes, communist political strategies, and citizens' acceptance of and responses to government authority in a new light, as the chapter discusses in detail.

Chapter 2 forms the first part of the thesis' assessment of the fiscal foundations of Stalinist industrialisation in Hungary. The chapter explores state-loans in terms of the communist regime's changing propaganda and agitation methods. On the one hand, the chapter reflects on the construction and application of state-loan propaganda, and the various measures agitators used to enforce citizenry obedience. On the other, it assesses the multiple ways in which workers accommodated or resisted state power.

The chapter argues that persuasion took many forms and operated with changing appeals to workers' sense of security and welfare. It ranged from one-to-one agitation, 'illustrative agitation', and public humiliation to removing workers from the shop floor by the ÁVH. Workers questioned propaganda individually and collectively in response to which party agitators increased pressure to fulfil subscription plans. The chapter considers the beginning of reforms under Nagy in summer 1953 as the origin of the change in the state's fiscal contract.

The chapter argues that state-loans helped citizens experience the costs of the Hungarian leadership's vacillation between reforms and Stalinist state building on their own skin. From autumn 1953, the Nagy government halved compulsory subscription quotas. Lost budgetary income, however, had to be compensated for as the government struggled to reform

the country's Stalinist economic base. To fund the regime's social security system, the Nagy government preserved the Rákosi government's four per cent *gyermektelenségi adó* (childlessness tax) implemented in March 1953. It additionally levied a three per cent pension contribution on workers' wages from October 1954. The chapter argues that instead of strengthening government legitimacy, paradoxically, the reduction in state-loan quotas revealed the regime's weakness in substantially increasing workers' real wages. Finally, the Hegedüs government's return to Stalinist propaganda during the state-loan campaign of autumn 1955 sealed workers' disillusionment with the promise of communist prosperity ahead of the October revolution of 1956.

Chapter 3 continues assessing communist fiscal policy during high Stalinism up to the 1956 revolution. Through the lens of taxes, the chapter assesses how the Communist Party transformed Hungary's property structures, taxation system, and public administration to enforce industrialisation. While the nationalisation of industry was the communists' key policy tool to appropriate resources to fund industrialisation between 1945 and 1948, the chapter shows the ways in which direct taxation gained prominence after 1949 to nationalise remaining private capital.

While councils' arbitrary increase of income taxes helped radically reduce the number of small businesses during high Stalinism, the chapter argues that councils' erratic assessment of taxes and the disorderly public administration system, left considerable space for small businesses to manoeuvre. As a result, private businesses evaded taxes, resorted to illegal manufacturing, and procured raw materials on the black market.

After introducing reforms in summer 1953, the Nagy government relieved pressure on the private sector. The government permitted councils to issue new trade licences and provided raw materials for artisans as part of the government's welfare agenda. Instead of rationalising the tax code and regulating private economic activity, however, the Nagy government left the

arbitrary tax apparatus intact. While the central administration encouraged councils to review the unlawfully estimated high tax balances of private businesses, local councils often evaded executing this order. They continued the Rákosi regime's policy of stigmatising and prosecuting the private sector as a means to fulfil plan directives. Instead of eradicating private businesses, the chapter shows the ways in which the power imbalance between the central administration and local councils helped increase small businesses' informal negotiating powers for lower taxes during tax assessments. By 1956, this eventually led to burgeoning informality in the private sector and an increase in the profitability of private small enterprise *vis-à-vis* the public sector. Finally, after November 1956, the Kádár government began to incorporate the private sector into the socialist economy without changing the ineffective and heavily unjust tax system.

Chapter 4 is devoted to communist credit and housing policy after 1949 and before the 1956 revolution. While the communist regime initially provided consumer credits to workers in 1949, the party soon turned to consider credits a hindrance to Stalinist economic development. From the perspective of the housing crisis of Hungary in the early 1950s, the chapter pays special attention to the circumstances under which the Nagy government from summer 1953 began to take public opinion, especially workers' discontent with the housing situation in industrial districts, into account in policy design as a means to strengthen the party's legitimacy in society.

One of the Nagy government's reforms was introducing the self-build programme in January 1954. The programme's media representation promised highly favourable terms and conditions to workers. Instead of appeasing workers, however, from early 1954, the implementation of the home construction scheme revealed crucial paradoxes between the party's projections of Marxist-Leninist ideology and workers' real-life experience of socialism. Instead of helping everyday workers secure healthy and affordable housing on a large scale,

the home construction scheme predominantly supported a small group of relatively privileged and wealthy workers in gaining private housing. This was due to the Nagy regime's emphasis on prioritising applications along 'profitability' criteria in allocating building plots and credits amid the desperately short supply of necessary resources. The chapter pays special attention to building costs and price hikes of labour and building materials, as well as shortages of plots, building materials, and credits between 1954 and 1956.

Overall, the chapter argues that by October 1956, the home construction scheme contributed to workers' disillusionment with the communist administration. On the one hand, the programme revealed to workers that the communist regime's promise of bringing abundance to the masses was illusory as economic capital continued to play a prominent role in securing private housing. On the other hand, the scheme confirmed that even after reforms, the communist regime remained incapable of administering welfare provisions. The chapter concludes that obstacles inherent to the planned economy of shortage antagonised ordinary workers and even the scheme's apparent beneficiaries.

Through an assessment of public opinion, the final chapter focuses on the economic background of the 1956 revolution and the fiscal foundations of János Kádár's consolidation of power in Hungary up to 1958. The chapter argues that citizens' dissatisfaction with general living standards and constraints over households' fiscal autonomy played critical roles in turning people against the regime in October 1956. While penury became one of the cohesive forces of society during the Rákosi years, after November 1956, the Kádár government's reformed approach to citizens' finances helped improve living standards. As a result, not only real wages grew in a relatively short time after the revolution, but the regime even changed its strategy for shaping consumption behaviour.

In a departure from the propaganda of thriftiness for the building of communism during the Rákosi years, the Kádár regime introduced the lottery to shape citizens' consumer

aspirations and to provide the prospect of relative affluence. However, hefty cash prizes of the lottery could only tempt people if money obtained strong purchasing power. In the following years, therefore, the Kádár regime strove to put the Stalinist economy on a new footing through foreign credits. The chapter concludes that the Kádár regime's differentiated view of fiscal policy and the regulated availability of consumer durables (such as washing machines, refrigerators, furniture, and automobiles) helped shape the public's perception of the forint's value.

In the conclusion, I weave together the wide-ranging arguments of the preceding chapters to emphasise the thesis' contribution to the historiography of postwar and early-socialist Hungary as well as the early years of 'Kádárism' in the post-1956 period. Finally, I propose further avenues for research that the thesis has helped to identify.

The thesis' overarching argument substantiated in the following chapters shows that money was not simply wealth in postwar Hungary. Instead, money was a form of political power representing and mediating conflicts of interest between citizens and the postwar state. The chapter that follows, focusing on the postwar hyperinflation period, can be considered an empirical case study of the theoretical assumptions of money proposed in this introduction, as well as the opening analysis of the currency's role in state building in postwar Hungary.

Chapter 1, Instituting Money: hyperinflation, and the state and society in the making of postwar stability (1944–1946)

1. Introduction

On 14 July 1946, during the final weeks of the hyperinflation of the pengő in Hungary, Ernő Fodor, a pensioned school teacher from Budapest, submitted his nine-page proposal for currency reform to GF. Fodor explained that although the introduction of the new currency, the forint, had only just been announced at the time, 'thousands and thousands have already been speculating about thwarting and making it impossible'. Fodor deemed that the forint would be devalued predominantly by merchants 'out of greediness' by raising prices. In order to prevent 'speculators, merchants, reactionaries and the remaining hordes of the [far-right] *Nyilaskeresztes Párt*'s (Arrow Cross Party) destruction of the future and the forint', Fodor recommended the government to introduce fixed prices in the retail sector from the beginning of August. He further argued that authorities must ensure merchants' adherence to prices 'most sternly' without hesitation. Fodor even offered his assistance in policing retailers. He passionately asserted that '[…] Hungary will be lost if we tolerate, without the most serious punishment and retribution, the devaluation of the forint by anyone'.[1]

Fodor's outcry resulted from first-hand experience of the world's most radical currency depreciation until today.[2] Fodor's radical view of necessary methods to halt inflation aligned with the tone of communist propaganda widely adopted in media and at political events after MKP's loss in the parliamentary elections of November 1945. By the final months of the hyperinflation in Hungary, when pengő notes became utterly worthless, and the majority of citizens ran out of commodities to exchange for foodstuffs, the public as well as opposition and government parties began to accept increasingly radical measures to stop inflation.

[1] MNL OL XIX-A-10/40d. III/1-g. 6388/1946. 'Fodor Ernő beadványa (1946. július 14.)'

[2] For a table 'ranking' hyperinflations by rate of depriciation, see Steve H. Hanke and Nicholas Krus, 'World Hyperinflations', in *Routledge Handbook of Major Events in Economic History*, ed. by Randall E. Parker and Robert M. Whaples (London: Routledge, 2013), pp. 367–77. (p. 372).

Between July 1945 and July 1946, the Hungarian hyperinflation had been the most severe that the world had witnessed until today with consumer prices doubling every 15 hours and a monthly inflation rate of 4,19 x 10^{16} in July 1946.[3] Only a few months after the ending of World War II, the hyperinflation impacted the Hungarian population's majority even more critically than the war itself. The impact of the exponentially depreciating currency was catastrophic for citizens. Workers had to labour for depreciating wages, not even enough in value to provide for their personal and their family's subsistence calorie intake. Consequently, the barter economy thrived, and people exchanged and stored wealth in hard currencies and precious metals, such as the dollar and gold (Napoléon coins). In order to provide fair and equal distribution of goods, the government policed ownership of foreign currencies, black marketeering, speculation, and 'price-boosting' activities, which, according to communist propaganda, contributed to the depreciation of workers' wages. The government also applied various fiscal measures to increase revenue to tame inflation. However, it would not implement a comprehensive currency reform until the country's productive capacity had been restored to a sufficient level and consumer goods were available to provide the commodity basis of the new currency and, consequently, social trust in the new money from August 1946.[4]

[3] He Liping, *Hyperinflation: A World History* (Oxon: Routledge, 2018), p. 107. On defining hyperinflation, I rely on Cagan who argued that hyperinflation begins 'in the month the rise in prices exceeds 50 per cent and [ends] in the month before the monthly rise in prices drops below that amount and stays below for at least a year'. See Phillip Cagan, 'The Monetary Dynamics of Hyperinflation', ed. by Milton Friedman (Chicago: The University of Chicago Press, 1956), p. 25. Following Cagan's definition and based on Paal and Siklos's calculations, Botos sets the Hungarian hyperinflation to having started in July 1945 and ended in July 1946. See János Botos, *A Korona, Pengő És Forint Inflációja (1900-2006)* (Budapest: Szaktudás Kiadó Ház Zrt., 2006) pp. 172-173.

[4] The return of MNB's gold reserves has often been suggested as having provided the currency reform's success. Other than the event's psychological impact on society, empirical evidence does not substantiate this ('metallist') view. The U.S. returned MNB's gold on 6 August 1946, five days after the currency reform had already been implemented. Moreover, the government even minted 20 korona gold coins from its limited gold reserves for the interest of market regulation in case the currency reform backfired. These never had to be used eventually. See *Nemzetgyűlési Napló*, 1945. III. kötet, 1946. augusztus 23. p. 246. Even though nominally gold provided 50 per cent of the forint's backing in August 1946, this rate quickly diminished as credit requirements of the economy exceeded the worth of MNB's gold reserves with no direct consequence to the forint's value. See Kemény, p. 10.

The hyperinflation provided a fertile ground for political opportunists to gain new supporters. The communists, for instance, refrained from naming the real reasons for rampant inflation in Hungary. Apart from the removal of capital assets from Hungary to an approximate value of $800 million by the Germans and their Hungarian allies, these were the Soviet Union's postwar reparation policy of systematically dismantling Hungarian machinery and industrial equipment and the popular front governments' policies of using inflationary finance to fulfil reparation deliveries and reconstruct the country's productive capacity at the cost of citizens' material deprivation.[5] Instead, the Communist Party accused 'enemies' of 'workers', predominantly merchants, who, in the party's view, sabotaged the currency and elicited inflation to gain economic advantage. The Communist Party did this in an attempt to distance itself from the Soviet Red Army's crimes of mass looting and rape, and the deportation of thousands of innocent civilians for forced labour (*málenkij robot*) to the Soviet Union, in order to legitimate the rule of 'the new state' in Hungary.[6] Furthermore, from autumn 1945, the Communist Party increasingly adopted anti-merchant rhetoric to win workers' political support and gain public acceptance of economic dirigisme in Hungary. Crucially, however, by effectively acknowledging the government's lack of options for Western credits, the Communist Party strove to make workers take on economic hardship in the service of the currency reform by channelling citizenry discontent towards the Hungarian bourgeoisie.[7] This

[5] For a comprehensive account of hyperinflation, see Pierre L. Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48* (London: Palgrave Macmillan, 1991). The worth of assets taken to the West by the Nazis is quoted from Mária Palasik, *Chess Game for Democracy: Hungary between East and West, 1944-1947* (Montréal: McGill-Queen's University Press, 2011), p. 9.

[6] On the legitimacy and ideology of the 'new state', see Mark Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition', *Contemporary European History*, 13.4 (2004), 453–75. Red Army soldiers raped around 50,000 women in Budapest alone: James Mark, 'Remembering Rape: Divided Social Memory and the Red Army in Hungary 1944-1945', *Past & Present*, 188.1 (2005), 133–61 (p. 133). On rape committed by Soviet soldiers, see Andrea Pető, *Elmondani Az Elmondhatatlant* (Budapest: Jaffa Kiadó, 2018). On the *málenkij robot*, see Zalán Bognár, *Málenkij Robot - A Magyarországról Ítélet Nélkül Szovjetunióbeli Kényszermunkára Elhurcolt Civilek Története* (Budapest: Kairosz Könyvkiadó, 2018).

[7] On MKP's ideology of 'democratic national reconstruction', see Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition'.

was an elusive social class whose protection of interest was frequently associated with MKP's chief opponent, the FKgP, in communist propaganda.

The postwar period in Hungary has been subject to much controversy in historiography.[8] Although Hungary's postwar hyperinflation has been the most extreme ever recorded up to date, and the period also proved to be decisive in the history of communism in the country, historians have only paid limited attention to the hyperinflation's economic, political or social significance.[9] During the communist period, historians within Hungary mostly accepted the Communist Party's interpretation about economic stabilisation. This narrative argued that the Communist Party's competence was paramount to tackling inflation in terms of constructing the currency reform plan and mobilising workers to voluntarily participate in reconstruction in exchange for practically worthless wages to build communism in Hungary.[10] Eye-witness accounts, on the other hand, argued that the Soviet Union and MKP willingly elicited inflation to destroy the Hungarian middle class and to sow the seeds of communist dictatorship in Hungary from late 1944 onwards.[11] Some historians have also tended to favour this line by relating communist strategies of assuming exclusive political

[8] On this controversy, see Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition', pp. 453-454. Little has changed since Mark Pittaway's assertion that social histories of the postwar transition were 'virtually non-existent' in 2002; see, Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition', p. 454. A recent important exception is Péter Apor, *Forradalom a Hátsó Udvarban* (Budapest: Jaffa Kiadó, 2021).

[9] Notable works on the political and cultural history of the postwar period include Charles Gati, *Hungary and the Soviet Bloc* (Durham, N.C.: Duke University Press, 1986), pp. 13–123; Martin Mevius, *Agents of Moscow: The Hungarian Communist Party and the Origins of Socialist Patriotism 1941-1953* (Oxford: Clarendon Press, 2005); Kenez; Palasik, *Chess Game for Democracy: Hungary between East and West, 1944-1947*.

[10] Sándor Ausch, *Az 1945-1946. Évi Infláció És Stabilizáció* (Budapest: Kossuth Könyvkiadó, 1958); Iván Berend T., *Újjáépítés És a Nagytőke Elleni Harc Magyarországon, 1945–1949*.

[11] This view first emerged in parliamentary debates towards the end of 1946 in Hungary. See, for instance, *Nemzetgyűlési Napló*, 1945. IV. kötet, 1946. október 24. pp. 110-122. Later it was reaffirmed and popularised by eye-witness accounts, see Artúr Kárász, *L'École Des Totalitaires* (Paris: s.n., 1948); Mark Jr., 'The View from Hungary', pp. 200–201. and Béla Petrovics, 'A népi demokráciák műhelytitkaiból (VII.)', *Új Kelet*, 26 July 1953, p. 2. Finally, it was reiterated in economic studies, see William A. Bomberger and Gail E. Makinen, 'The Hungarian Hyperinflation and Stabilization of 1945-1946', *Journal of Political Economy*, 91.5 (1983), 801–24 (p. 807); Christopher A. Hartwell, 'Short Waves in Hungary, 1923 and 1946: Persistence, Chaos, and (Lack of) Control', *Journal of Economic Behavior & Organization*, 163 (2019), 532–50.

powers in 1946–1948 to the hyperinflation period.[12] More recently, historians have continued using a top-down approach to assess the implementation of the currency reform. These studies emphasise the merits of István Varga, who headed the *Magyar Gazdaságkutató Intézet* (Hungarian Economic Research Institute—MGkI) and the *Anyag- és Árhivatal* (Material and Price Office) in 1946.[13] While in the postwar period Mátyás Rákosi was heralded as 'the father of the forint' in communist propaganda, in the 2010s, this title began to be ascribed to István Varga.[14] On the other hand, studies in economics and economic histories have assessed the currency reform from the exclusive perspective of economic policy and attributed either the success of the stabilisation or the severity of the inflation to government competence or ineptitude, respectively.[15] An advance in the literature came only in 2000 from Grossmann & Horváth, who nuanced existing economic interpretations and argued that Hungary's popular front governments learnt to accommodate high inflation and 'steered it in ways to make it an instrument of capacity enhancement'. According to Grossmann & Horváth, citizens accepted the cost of high inflation due to the low opportunity cost and in return for a promise of

[12] This was pointed out recently by Kenez, see Kenez, p. 80. For this argument, see Borhi, p. 143. and András B. Göllner, 'Foundations of Soviet Domination and Communist Political Power in Hungary: 1945-1950', *Canadian-American Review of Hungarian Studies*, III.2 (1976), 73–105 (p. 86).

[13] For a review of works emphasising István Varga's role in the stabilisation process, see Krisztina Majoros, 'István Varga's Role in the 1946 Hungarian Stabilization', *Business Studies*, 1.1 (2000), 101–12; Krisztina Majoros, 'Varga István (1897-1962)' (Unpublished PhD Thesis, University of Miskolc, 2001); Violetta Mányó-Váróczi, 'Varga István a Tudományszervező És Gazdaságpolitikus' (Unpublished PhD Thesis, Pázmány Péter Katolikus Egyetem, 2016); Krisztina Majoros, 'A Múlt Század Jeles Magyar Közgazdásza: Varga István (1897–1962)', *MTA - Közgazdaságtudományi Kutatóközpont Műhelytanulmányok*, 9 (2003).

[14] Apart from popular online articles, the association of this phrase with Varga also began to catch on in academic literature. See Zoltán Tefner, 'A „forint Atyjának" Külföldi Kapcsolatai: Varga István És a Lengyelek', *Valóság*, 61.10 (2018), 92–107.

[15] F. F. Winklé, 'Some Aspects of the Recent Inflation and Stabilization of the Hungarian Currency', *South African Journal of Economics*, 15.3 (1947), 178–91; Bertrand Nogaro, 'Hungary's Recent Monetary Crisis and Its Theoretical Meaning', *The American Economic Review*, 38.4 (1948), 526–42; W. A. Bomberger and G. E. Makinen, 'Indexation, Inflationary Finance, and Hyperinflation: The 1945-1946 Hungarian Experience', *Journal of Political Economy*, 88.3 (1980), 550–60; William A. Bomberger and Makinen; Pierre L. Siklos, 'The End of the Hungarian Hyperinflation of 1945-1946', *Journal of Money, Credit and Banking*, 21.2 (1989), 135–47; Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*; Beatrix Paal, 'Destabilizing Effects of a Successful Stabilization: A Forward-Looking Explanation of the Second Hungarian Hyperinflation', *Economic Theory*, 15.3 (2000), 599–630; János Botos, 'A Pengő Megsemmisülése, a Forint Születése, 1938-1946', *Múltunk*, 61.1 (2016), 160–206; Ludovic Desmedt, 'De l'hyperinflation Au « miracle Monétaire »: L'expérience Hongroise de 1945-1946', *Revue Économique*, 72.2 (2021), 259–88.

economic stability from August 1946.[16] However, the means and methods through which the government mobilised society and kept public resentment at bay in the service of reconstruction have been neglected in historiography.

Both historical studies and economic histories pay limited attention to the socio-political context of postwar Hungary in assessing the course of hyperinflation and the currency reform. Yet, as argued in this chapter, it was vital in shaping the policy choices of authorities and conceptions of a just economic order. Authorities acted neither as die-hard Stalinists nor free market radicals advocating laissez-faire policies at all costs. Instead, during the immediate postwar period, Hungarian authorities addressed economic issues around public provisioning and financing and pragmatically delivering reparation and reconstruction orders either by turning to the free market or the printing press, even at the expense of diminishing living standards. For instance, until at least the communists' loss in the national elections of November 1945, even the Communist Party was unwilling to fully commit itself to state intervention in the economy in the volatile political climate. Moreover, in sharp contrast to their propaganda in 1946, the communists even refrained from blaming inflation on 'inner enemies' to gain political capital until their defeat in the municipal elections of Budapest and, especially, the party's devastating loss in the parliamentary elections of November 1945.[17] The Communists Party's lack of a campaign for comprehensive economic control in Hungary was part of a conscious strategy before November 1945 to appeal to a broad national voting base.[18]

---

[16] Peter Z. Grossman and János Horváth, 'The Dynamics of the Hungarian Hyperinflation, 1945-6: A New Perspective', *Journal of European Economic History*, 29.2 (2000), 405–27.

[17] In early September 1945, SZdP at Szeged attempted to foster turmoil between citizens and merchants in a series of articles published in *Szegedi Népszava*, which later that month led to a violent confrontation at a local market. See Mihály Tamasi, *Társadalmi És Politikai Változások Szegeden 1939–1949 Között* (Szeged: Bába Kiadó, 2004), pp. 65–66. Yet, surprisingly, it was the Communist Party that most ardently condemned SZdP for the incident. See 'A falu és a város', *Délmagyarország*, 18 September 1945, p. 1. and 'Felelőtlen tüntetés Szegeden', *Szabad Nép*, 18 September 1945, p. 2.

[18] Pittaway argued that the November 1945 elections represent a watershed in the postwar politics of MKP. See Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition'. Also see MKP's moderate programme accepted in May 1945: *A Magyar Kommunista Párt És a Szociáldemokrata Párt Határozatai 1944-1948*, ed. by Sándor Rákosi and Bálint Szabó (Budapest: Kossuth Könyvkiadó, 1967), pp. 81–86. On MKP's

Crucially, however, not only authorities' right or wrong policy choices or the quality of any stabilisation plan conditioned the currency reform's success, but also citizens' temporary embrace of extreme penury, dire malnourishment, and other forms of economic torment. This was only a conditional acceptance of hardship that Hungarian citizens contested through strikes, riots, and other violent outbursts throughout the period. In order to maintain 'work discipline', increase economic output, preserve its electoral base, and even gain new voters from other popular front parties with a radical left agenda (such as the SZdP and NPP) after November 1945, perpetual strikes among workers in the winter of 1945–1946 compelled the communists—which prided itself on best representing workers' interest—to accommodate workers' demands at least in appearance. It did so through advocating various welfare measures (e.g. indexing wages or providing food relief to workers through the calorie wage system), which were either increasingly meaningless or impossible as the pengő reached astronomical heights, and as the government's inflationary policy increasingly taxed resources away from workers to the state and private businesses from April 1946. In the meantime, MKP channelled citizenry discontent away from the state towards 'reactionaries', 'speculators', and 'black marketeers' in propaganda. Overall, the chapter argues that the postwar governments' shaping of citizens' perception of value through inflation was indispensable for the relative success of the state's stabilisation and reconstruction policy. In order to gain a better understanding of the hyperinflation period, the chapter pays special attention to relations between the state's anti-inflationary measures, citizens' interpretation of state policy, and the coalition parties' political strategies in postwar Hungary.

This chapter relies on a broad qualitative source-base to unravel state-society relations in 1945–1946. The chapter uses non-governmental, ministerial, and political party documents from MNL. This macro source base is complemented by social-historical sources, such as

postwar political strategy dictated from Moscow, see Palasik, *Chess Game for Democracy: Hungary between East and West, 1944-1947*, pp. 8–16.

various reports of national committees and contemporary newspapers, and a further 52 'proposals' submitted mostly by white-collar workers to authorities with the primary aim to offer advice on public provisioning, economic reconstruction, and halting price increases. These letters were sourced from the collections of PM, GF, MKP, and SZdP at MNL.

These letters form a peculiar body of historical evidence. Due to suddenly depreciating money, citizens deemed the government incapable of managing inflation, so they began to submit their assessments of the causes and implications of inflation. They proposed policy methods to help the government manage financial turmoil. It is difficult to determine to what ends authorities used these non-governmental advice. However, it can be ascertained that policy makers rigorously reviewed private proposals (in PM, at least on *államtitkár* [state-secretary] level) and encouraged their submittal. People mainly included their name, occupation, address and often disclosed their political affiliation. Besides the coalition parties' headquarters, people also submitted proposals directly to PM or GF, presumably because they considered these organisations to stand above party interest. These data help reveal the authors' social background and political affiliation. Although these letters had varied political addressees covering the entire political spectrum of the coalition government, these sources are exposed to selection bias due to the relatively small sample size and the narrow social composition of the letters' authorship. These sources alone make generalisation about large segments of the population's perception of inflation impossible. However, in contrast with party and ministerial records of the coalition government, newspapers, and national committee reports, these sources offer insights into how citizens' perceptions of inflation, the market, economic intervention, and economic justice changed during various stages of the hyperinflation period.

The chapter is structured as follows. Section 1 discusses the impact of Hungary's defeat in World War II on the country's real economy, administrative organisation, and everyday

economic life. It shows how the Soviet Union's postwar reparation policy of systematically dismantling Hungarian productive capacity contributed to eliciting inflation in Hungary. The section also reflects on the ways in which local authorities and the provisional government turned to the free market to provide relief to the public in the immediate postwar months. Section 2 shows how the emerging inflation elicited a need for state intervention in the economy. The section reflects on the government's changing economic policy as well as the ways both citizens and national committees experiencing inequalities in the distribution of goods on the free market from summer 1945 increasingly requested the government to introduce economic control to raise public welfare. Section 3 assesses how the Communist Party, after the party's devastating loss in the democratic elections of November 1945, revised its political strategy of appealing to a broad voting base. Through the use of its unparalleled power in Hungarian political life—exercised through the Soviet-dominated KEB—the party aimed to buttress its support in the working class and reinforce its position on the political left. The Communist Party capitalised on citizens' anti-merchant feelings by adopting a populist stance in party propaganda. The section assesses how this policy helped channel public discontent away from the state towards 'reactionaries' in communist propaganda. Finally, the section shows how after April 1946, when the communist-dominated GF accelerated inflation-financed reconstruction with the immediate effect of destroying citizens' remaining existences, the Communist Party increasingly used propaganda to claim an executive role in economic stabilisation ahead of the currency reform of August 1946.

2. War, Economic Collapse, and the Reestablishment of the Market (October 1944–June 1945)

2.1. Hungary's Postwar Economic Landscape

Hungary entered World War II on the side of the Axis powers in April 1941, yet, unlike the rest of Europe, the country managed to avoid significant military operations on its soil until late 1944. By the end of 1944, the Red Army 'liberated' most of Eastern Hungary and began the siege of Budapest on 24 December. Simultaneously as Soviet troops advanced westwards, the majority of Hungary's public administrative personnel, around 70–80 per cent of public servants, was estimated to have fled West.[19] In the footsteps of the Soviet Army, the communists established national committees to control cities and villages, supervise local administration, and reorganise everyday life.[20] On 2 December 1944, members of the Horthy regime's legal and illegal opposition established the *Magyar Nemzeti Függetlenségi Front* (Hungarian National Independent Front—MNFF) in East Hungary in Debrecen. Members of MNFF included the FKgP, SZdP, NPP, MKP, and the Civic Democratic Party.[21] MNFF adopted the Communist Party's proposal for the country's reconstruction as its joint programme. Along with the limited nationalisation of strategic sectors of the economy, the programme proposed reestablishing the free market by supporting private initiatives. It also promised to end the Horthy regime's inflationary monetary policy.[22] On 21 December, delegates from national committees established the *Ideiglenes Nemzetgyűlés* (Interim National Assembly) in Debrecen with a significant communist majority which greatly outweighed the party's political strength in Hungary. The following day, the Interim Assembly elected the *Ideiglenes Nemzeti Kormány* (Provisional National Government) and enabled it to govern the country by decree. The provisional government commanded limited control over East Hungary

[19] Korom, *A Népi Bizottságok És a Közigazgatás Magyarországon, 1944-1945*, p. 17.

[20] On the history of national committees, see Balázs, *Népmozgalom És Nemzeti Bizottságok 1945-1946*; Korom, *A Népi Bizottságok És a Közigazgatás Magyarországon, 1944-1945*; György Gyarmati, 'A Közigazgatás Újjászervezése Az "Ideiglenesség" Korszakában', *Történelmi Szemle*, XXXVIII.1 (1996), 63–98.

[21] For more detailed political analyses, see Mihály Korom, *Magyarország Ideiglenes Nemzeti Kormánya És a Fegyverszünet* (Budapest: Akadémiai Kiadó, 1981); *Az Ideiglenes Nemzetgyűlés És Az Ideiglenes Nemzeti Kormány, 1944-1945*, ed. by István Feitl (Budapest: Politikatörténeti Alapítvány, 1995); Palasik, *Chess Game for Democracy: Hungary between East and West, 1944-1947*, pp. 8–100.

[22] 'Magyarország demokratikus újjáépítésének és felemelkedésének útja - A Magyar Nemzeti Függetlenségi Front programmja', *Délmagyarország*, 3 December 1944, p. 3.

then, and gradually over other parts of the country as the front advanced westwards until April–June 1945.[23]

In early 1945, Hungary was economically devastated.[24] Hungary lost 40,2 per cent of its national wealth in the war, about 16 times the country's budget of 1937–1938.[25] In terms of human capital, between 800,000 and 900,000 people perished in the war altogether, about a further 500,000 people retreated temporarily with the Germans into Austria, and thousands of people were incarcerated in concentration and POW camps scattered around Europe and Asia.[26] The country's transportation systems and general infrastructure were in ruins, and the majority of capital stock was destroyed. The German armed forces blew up all vital bridges crossing the Danube and Tisza rivers which left one-third of bridges damaged. At the same time, half of all the transportation equipment was lost or damaged or appropriated by the Soviet Army to help move their army personnel. Retreating German troops and their Hungarian allies either destroyed or moved most of Hungary's capital stock to Germany, while much of the remaining stock was systematically dismantled by the Soviet Army. In addition, agriculture, industry, and trade were placed into the hands of Soviet military authorities as per the Soviet Union's policy of claiming reparations in physical goods rather than money.[27] Millions of animals perished in the war or had been taken to Austria and Germany while the remaining stock was appropriated by the Soviet Army to feed its personnel. On top of this, about 54 per

[23] Béla Balázs, 'A Nemzeti Bizottságok Szerepe Népi Demokráciánk Létrejöttében', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó (Budapest: Akadémiai Kiadó, 1955), p. 171.
[24] For statistics on Hungary's losses in the war, see National Bank of Hungary, *Hungary in Statistical Tables* (Budapest: National Bank of Hungary, 1947) and Magyar Gazdaságkutató Intézet, *Gazdasági Helyzetjelentés 54.* (Budapest: MGI, 1947).
[25] National Bank of Hungary, p. 32; *A Magyar Gazdaság Vargabetűje*, ed. by Mária Barát (Budapest: Aula Kiadó, 1994), p. 86.
[26] András B. Göllner, 'Foundations of Soviet Domination and Communist Political Power in Hungary: 1945-1950', *Canadian-American Review of Hungarian Studies*, III.2 (1976), p. 76; Tibor Valuch, *Magyarország Társadalomtörténete a XX. Század Második Felében* (Budapest: Osiris Kiadó, 2005), pp. 30–33.
[27] On Soviet economic policy towards Eastern Europe, the various modes of Eastern Europe's economic exploitation by the Soviet Union, and the impact of Soviet policy on postwar inflation in 1944–1946, see Vladimir Petrov, *Money and Conquest: Allied Occupation Currencies in World War II* (Baltimore: The John Hopkins Press, 1967), pp. 172–91. Concerning Hungary, see Borhi, pp. 139–96.

cent of arable land was left unsown with wheat as the front advanced westwards causing critical food supply deficiencies for the population in the coming months.[28] Damage to buildings in Budapest was also significant. About 74 per cent of buildings were damaged in the 50-day siege of the city.[29]

2.2. Reestablishing the Central and Local Administration of the State

In early 1945, the provisional government prioritised signing an armistice with the Soviet Union, rebuilding the country's destroyed infrastructure, and supplying immediate food relief to the starving population of mainly cities and mining areas. The treasury was nearly empty, so financing restarting the economy was an issue for the government. Between January and April 1945, budget revenue stood only at 1,1 per cent.[30] On top of this, the retreating German and Hungarian armies removed MNB's gold and foreign currency reserves to the value of $40 million, a further 9,000–10,000 million pengő banknotes, together with the currency's printing press to Austria.[31] This rendered the government incapable of financing the deficit and even issuing new money until summer 1945.

Meanwhile, in Eastern Hungary, the Soviet Red Army began to print legal tender banknotes to a total value of 5,000 million pengő.[32] The restarting of production was further delayed by the Soviet occupying forces' requisitioning of mines and industrial enterprises to

---

[28] József Takács, 'Mezőgazdaságunk Helyzete 1945-Ben', *Szocializmus*, XXX.1-2. (1946), p. 30.

[29] Iván Berend T., *Újjáépítés És a Nagytőke Elleni Harc Magyarországon, 1945–1949*, pp. 21–22.

[30] MNL OL XIX-L-1-h/3d. 85.892/1945. 'Magyarország pénzügyi helyzete különös tekintettel az inflációra' p. 4.

[31] Sándor Ausch, *Az 1945-1946. Évi Infláció És Stabilizáció* (Budapest: Kossuth Könyvkiadó, 1958), p. 54. and p. 92. and p. 99.; Ivan T. Berend, 'Az 1946. Évi Stabilizáció', *Közgazdasági Szemle*, július–augusztus.13 (1966), pp. 894–95.

[32] László Szűcs, *Dálnoki Miklós Béla Kormányának (Ideiglenes Nemzeti Kormány) Minisztertanácsi Jegyzőkönyvei 1944. December 23.-1945. November 15. A Kötet* (Budapest: Magyar Országos Levéltár, 1997), p. 65. and pp. 219-220.; Sándor Ausch, *Az 1945-1946. Évi Infláció És Stabilizáció* (Budapest: Kossuth Könyvkiadó, 1958), p. 92.

manufacture goods for export to the Soviet Union until July 1945.[33] The government and national committees supplied food relief to the population through direct exchanges of goods or by collecting loans from citizens, as was practised in Budapest in March 1945.[34] To supplement this, the Soviet Union provided limited 'aid' by loaning back previously requisitioned grain and pengő banknotes to the government.

Laying the foundations of a comprehensive economic policy became a concern relatively early on for the government. The establishment of the *Országos Gazdasági Tanács* (National Economic Council—OGT) in March 1945, the Ministry of Reconstructions in May 1945, as well as the holding of regular meetings among economic ministers of different political colours from March 1945, however, failed to achieve the desired effect, partly due to conflict of political interest among the coalition partners.[35] Even after relocating the seat of government from Debrecen to Budapest in April 1945, economic policy-making continued to be a concern of individual ministries to be discussed in the form of individual ministerial proposals at the council of ministers' meetings.[36]

2.3. Public Provisioning and Reinstating the Market

Due to heavy damages to postal and telecommunication services and infrastructure, communication between centre and regions was slow-moving, if existent at all. Even authorities locally struggled to evaluate the economy's condition due to the lack of information.

---

[33] Szűcs, *Dálnoki A Kötet*, p. 14.; One of the largest enterprises of Hungary, the *Weiss Manfréd Művek* in Budapest, for instance, produced exclusively in support of the Soviet Army's war efforts between January and August 1945. From July 1945, production began in fulfilment of Hungary's reparation payments to the Soviet Union. See MNL OL Z 403 C 35. 'Jelentés az Igazgatóság 1945. december 22-én tartandó ülésére'

[34] Zoltán Vas, *Akkori Önmagunkról* (Budapest: Magvető Könyvkiadó, 1982), pp. 83–84.; 'Az első békekölcsön', *Szabad Újpest*, 10 March 1945, p. 1.

[35] Pál Germuska, 'Adalékok a Magyarországi Gazdasági Intézményrendszer 1945–1948 Közötti Változásaihoz', in *Lépések a Gazdasági Teljhatalom Felé 1945-1948*, ed. by Pál Germuska and Barbara Bank (Budapest: Nemzeti Emlékezet Bizottsága, 2017), pp. 11–76. (pp. 28–31); Pető and Szakács, pp. 62–63.

[36] Iván Berend T., *A Szocialista Gazdaság Fejlődése Magyarországon, 1945-1968* (Budapest: Kossuth Könyvkiadó-Közgazdasági és Jogi Könyvkiadó, 1974), p. 31.

In March 1945, for instance, a report of the *Budapesti Kereskedelemi és Iparkamara* (Budapest Chamber of Industry and Commerce) established that there were 'serious obstacles in the evaluation of the country's economic landscape [as] no objective data, as in the assessment of damages and production reports [were] available.' The report established that even the chamber was 'constrained to rely on verbal accounts of merchants and artisans, as well as [members of the chamber's own] experience'.[37] This lack of information about damage hindered effective policy-making and made the government reliant on information received from various agents of economic life before summer 1945.

In early March 1945, the Budapest Chamber's report gave a devastating picture of the capital's material condition: 'the city's [traditional] economic life ceased to exist […], and the most primitive barter exchange is prevalent'. The report argued that goods were available but that due to 'the lack of transport options, demand and supply are incapable of finding each other'.[38] In early 1945, the government acknowledged its lack of power to supply food to the starving population directly, so it supported the free market to facilitate exchange.[39] For instance, after the 'liberation' of Budapest in winter 1945, the communist Zoltán Vas, commissary of public provisioning of Budapest at the time, supported 'comprehensive liberalism' both in production and trade. He deemed that 'strict governmental order' was necessary only in distributing goods purchased by the Budapest commissariat on the market.[40]

---

[37] *Dokumentumok a Magyar Belkereskedelem Történetéből, 1945–1949*, ed. by Márta Szinkovich (Budapest: Kossuth Könyvkiadó, 1981), p. 84. 'Részlet a budapesti Kereskedelmi és Iparkamara megbízott vezetőhelyettesének a Kereskedelem és Közlekedésügyi Minisztérium Kereskedelmi Főosztályához küldött jelentéséből: közgazdasági helyzetkép (1945. március 9.)'

[38] Szinkovich, 'Részlet a budapesti…' p. 86.

[39] Francis (Ferenc) Gordon, *Reporting on the Real Events in Hungary from the Beginning of 1945 to the End of 1947* (Buenos Aires, 1948), pp. 7–8. Kaldor called the period 'four months of complete laissez-faire'; see Nicholas Kaldor, 'A Study in Inflation I—Hungary's Classical Example', *The Manchester Guardian*, 21 November 1946, p. 4.

[40] Vas, p. 71.

Vas evaluated the reinvigoration of 'capitalist wholesale and retail trade' great success as it took the burden of public provisioning off the shoulders of authorities.[41]

From spring 1945, goods began to resurface and bring down prices.[42] As Ferenc Gordon, the FKgP's later finance minister argued, 'One could buy cloth and linen [but] people did not wake up to the truth that those stocks were the final reserves of the Hungarian economy'.[43] Resurfacing goods and the government's inability to finance the private economy delayed hyperinflation from being an immediate threat; however, the central government failed to realise the source of the problem due to the lack of statistical data and the fragmentation of local administration nationwide.[44] Consequently, the government continued to rely on the market and prioritised the reconstruction of infrastructure and the legal framework of the economy, as well as the protection of private property to restore the balance between supply and demand. While government support of the market at the outset helped public provisioning, from June 1945 free market policies combined with deficit spending became drivers of inflation.[45]

3. Unfolding Hyperinflation and the Social Origins of Economic Policy Change (June 1945–December 1945)

3.1. Economic Policy in Summer 1945

[41] Vas, p. 98.

[42] The exact figures are unknown as the recording of prices was abandoned between summer 1944 and summer 1945. However, a contemporary article quotes the following changes in the consumer price index (possibly in Budapest). Between 15 March and April prices decreased by 34 per cent, in May they increased by 38 per cent, in June by 17 per cent, until 10 July by seven per cent, and until 20 July by eight per cent. György Tonai, 'Ujabb áremelkedések az élelmiszerpiacon', *Népszava*, 25 July 1945, p. 3.

[43] MNL OL XIX-A-10/9d. 'Gazdasági Főtanács jegyzőkönyv, 1946. február 14.' p. 8.

[44] In 1948, Ferenc Gordon considered this a government error. See, Francis (Ferenc) Gordon, *Reporting*... 'Annex 2: Hungarian Inflation and Stabilisation. Important complementary data from the notes of Minister Gustav Gratz' p. 4.

[45] Kaldor.

By June 1945, the government regained administrative control over the entire territory of Hungary from the Soviet Army and the power to put new money into circulation.[46] As on 15 June 1945 the government had agreed on terms of reparations to the Soviet Union, the government was under increased pressure to fund production in fulfilment of reparation transports. This further constrained the government's budgetary leeway because financing reparations amounted to 31,5 per cent of government spending between July 1945 and March 1946.[47] Meanwhile, between January and June 1945, budgetary revenue averaged around 1,2 per cent. This was consequential to the disorganised tax administration system and poor tax discipline. Declining revenue made the government unable to cover expenses through taxes.[48] These circumstances compelled the government to rely on the issue of new money (that is, the yield from seigniorage) as the principal source of revenue.[49] From July, the government financed the country's reconstruction, including the budget deficit and the private economy, through deficit spending, essentially continuing the previous regime's monetary policy of discounting treasury bills at MNB.[50] This policy exacerbated the devaluation of households' real income as output lagged behind. Overall, while in 1939–1944 the money stock had already significantly increased relative to available commodities, the country's insufficient productive capacity, the depletion of commodity reserves, the obligation to fund reparation deliveries, together with funding reconstructions, enabled the depreciation of money to accelerate from early summer 1945. Between July and December 1945, the share of government loans gradually increased in terms of total money circulation. While in July it stood at 13,4 per cent,

[46] Szűcs, *Dálnoki A Kötet*, p. 32.
[47] Pető and Szakács, p. 23.
[48] Szűcs, *Dálnoki A Kötet*, p. 65.
[49] Seigniorage is defined in economics as the treasury's profit earned through printing new money. In other words, it is the difference between the face value of money and its production cost.
[50] Ausch, *Az 1945-1946. Évi Infláció És Stabilizáció*, p. 99. On the prewar origins of the pengő's (repressed) inflation, see Sándor Ausch, 'A Háború Finanszírozása És Az 1938–1944. Évi Infláció Magyarországon', *Közgazdasági Szemle*, II.10 (1955), 1194–1214; On the finance minister's (István Vásáry, December 1944–July 1945) explanation of the technical process, see Szűcs, *Dálnoki A Kötet*, pp. 416–17.

it gradually rose to 23,9 per cent in August, 33,7 per cent in September, 44,2 per cent in October, 70,1 per cent in November, and 96,3 per cent in December.[51]

In summer 1945, authorities reckoned that there were two plans available to the government: either to intervene in the distribution of goods which authorities believed would contribute to the currency's further depreciation or to continue reinstating the market to preserve monetary trust and to ease inflationary pressure. As prices soared and goods became scarce in early summer, the government was reluctant to implement economic control for fear of accelerating inflation. For instance, in June, the public provisioning minister, Gábor Faragho, noted that industrial enterprises had often secured food for workers through barter of industrial products with rural producers. This practice, however, led to inequalities among factories as those who produced higher demand items received supplies in larger quantities than others.[52] The minister proposed that the government take over this practice through state acquisitions of a private enterprise.[53] However, even the communist minister of commerce and transportation, Ernő Gerő, was advised by his staff to object to this policy. The memo argued that commercial life should be reinvigorated through supplying goods to merchants and 'not through primitive barter exchange which could undermine trust in money even further'.[54]

In line with the government's pro-market stance, authorities, irrespective of party affiliation, deemed that free wholesaling drove up prices, and that the state should oversee the supply of goods to private merchants to mitigate price increases.[55] To this end, in July and August, the government established various trade offices (for textile, wood, paper, iron, coal,

[51] Ausch, *Az 1945-1946. Évi Infláció És Stabilizáció*, p. 95.
[52] MNL OL XIX-L-1-h/1d. 85.194/1945. 'Egyes ipari termékeknek élemiszerért leendő kicserélése tárgyában készült minisztériumi rendelettervezet'
[53] Szinkovich, pp. 90–91. 'A Közellátásügyi Miniszter előterjesztése a Minisztertanácshoz az ipari és mezőgazdasági termékcsere-akcióról (1945. június 2.)'
[54] Szinkovich, p. 92. 'A Kereskedelem- és Közlekedésügyi Miniszter részére készített belső feljegyzés a termékcsere-akció ügyében tervezett közellátásügyi rendeletről (1945. június 6.)'
[55] Szinkovich, pp. 109–11. 'A Kereskedelem- és Közlekedésügyi Miniszter Előterjesztése a minisztertanácshoz a kész bőráru és lábbeli kereskedői forgalmának szabályozásáról (1945. augusztus 13.)'

and leather) to manage the supply of goods from producers to legally-registered merchants in the hope that commodities would not end up on the black market immediately after production.[56] This policy was conceived to support both the public in terms of fair and equal distribution of goods and licenced retailers to realise just profits on sales as opposed to black marketeers. In August 1945, the provisional government even accepted the PM's proposal of giving further credits to merchants to reinvigorate private economic life.[57]

In summer 1945, authorities conceived these measures in line with MNFF's programme, which set to facilitate the reestablishment of free market.[58] While the government strove to reinvigorate free commerce, cities and villages complained that they could not even organise the holding of markets for 'the absence of public safety, materials, the availability of goods, and infrastructure'.[59] As the scarcity of goods became increasingly acute nationwide and citizens widely experienced the ineffectiveness of the government's pro-market policy, national committees, the formal representatives of cities and villages in which communists were overrepresented over other coalition parties, began to petition the government to prompt an immediate change in economic policy. Meanwhile, even the Communist Party—which after coming third place in the parliamentary elections of November 1945 would conduct aggressive propaganda against 'speculators' and 'black marketeers' in the news—failed to offer even short-term relief to their electorate.[60]

---

[56] Pető and Szakács, p. 53. Pető and Szakács argued in their authoritative study of post-1945 Hungarian history that government intervention in the allocation of raw materials signalled the government's gradual parting from MNFF's commitment to free commerce. Instead, I argue that in summer 1945 the government accepted this moderate economic intervention with the view to reestablish the free market. Due to the policy's failure, comprehensive economic control was only gradually accepted as solution later from autumn 1945.

[57] Szinkovich, pp. 111–13. 'Pénzügyminiszteri előterjesztés a Minisztertanácshoz a kereskedői hitelakció keretének felemeléséről'

[58] Until early May, when prices began to increase in Budapest, even communist news adapted a permissive approach to the free market. For example, see various issues of *Szabad Nép* in May 1945. Especially, liberals considered the free market a prerequisite to political freedom after several years of economic control during the war. For instance, see 'Földreform és szabadkereskedelem', *Kis Ujság*, 8 June 1945, p. 4.

[59] Szinkovich, pp. 101–7.

[60] For instance, see the news covarege of Mátyás Rákosi's visit to Szeged on 30 July 1945 in 'Erősítjük a harcot az áremelkedés ellen', *Szabad Nép*, 31 July 1945, p. 1.

3.2. Disputing Economic Freedom from Below

While the provisional government's economic policy favoured 'legal' retail activities to restore the balance between supply and demand, reports from the countryside echoed the wider society's concerns about high prices and the lack of public provisioning generally associated with the commercial activities of merchants, be they licenced or non-licenced. For instance, in early September 1945, Elemér Kun, the chairman of NPP's local organisation in Székesfehérvár, argued in a letter to the national committee of Székesfehérvár and later to the government that,

> On the one hand, the merchant society did not show self-restraint, which could have been inevitably expected from them during such hard times, and on the other, through the incorrect interpretation of freedom [in the market], black-marketeering assumed incredible heights. As a result, the prices of goods have risen unduly and continue to rise today.[61]

In a similar vein to Kun, Gyula Csányi, a member of FKgP, in his 16-point action plan submitted to SZdP [sic] in autumn 1945, also warned that Hungary was experiencing 'extraordinary times' and 'the prevailing economic and commercial symptoms, the immeasurable profit-gaining and hoarding' did not serve the interest of workers 'who neither could make a living nor nutrition themselves' but 'a small stratum: smugglers, the people who sell foreign currencies [*valutázók*], speculators, but not the working stratum'. He criticised the government's free market stance. He argued that '[…] all sound cautions had been made in vain which called today's commerce not to look for its own personal interest apart from a modest profit margin, but to bear in mind the country's and workers' interest […].'[62]

By September, spiralling prices made many increasingly believe that government support of private retail should not be maintained because merchants generally benefitted from

[61] MNL OL XIX-A-10/64d. XIV/1-a. 5282/1945. 'Kun Elemér, a Nemzeti Parasztpárt elnökének javaslata a szabadkereskedelem megszüntetése tárgyában'
[62] MNL OL M-KS 283. f. 32/22. ő. e. 'Csányi Gyula beadványa' p. 130.

inflation irrespective of whether they 'speculated' or obtained a legal permit to conduct business.[63] Sándor Berkes, for instance, considered that shortages 'divide[d] society into two antagonistic strata: one productive stratum shrinking in size, and the other thickening stratum looking for goods [to buy and sell]'.[64] In September 1945, Imre Kallós from Budapest complained to SZdP that 'the working masses living from their wages and the broad strata of small existences [were] being wrapped up in the seaweed of speculation and [had] been helplessly grinding in the course of skyrocketing prices'.[65] Giving voice to the widely-perceived conflict between merchants and workers, István Sziget, a mill owner from Szászvár, argued that 'While idle speculators collect bars of gold and foreign currencies, the clothes are being worn down of workers and nothing is left for the working people in return for their labour which would give hope to them about enjoying the fruit of their labour in the future.'[66] László Bereczk, a senior clerical officer in Budapest, deemed that the government 'must reckon with germs that provoke the depreciation of money's purchasing power.' He argued, 'While [merchants] are getting rich at the expense of the public, they pay only *fillér*s [the subunit of pengő] as tax'. Bereczk reckoned that 'merchants cannot have legal income today' and that 'if there [was] no commodity, the merchant [was] dispensable [too].'[67] In October 1945, Sándor Berkes from the village of Zabar blamed speculation, which, in his view, 'through the appeal of illusionary enrichment' compelled workers to give up productive work. Berkes blamed the government's free market stance and proposed government intervention as a solution instead.[68] Ede Horsai, a secretary of SZdP's local organisation in Pomáz, deemed that the government

[63] It is impossible to estimate the extent of this view within the public at the time. However, as inflation worsened, more and more people agreed on the necessity of economic intervention. In October 1946, even Vince Nagy, deputy leader of the right-wing *Magyar Szabadság Párt* (Hungarian Freedom Party), the most persistent critic of the Communsit Party, agreed with this policy. See *Nemzetgyűlési Napló*, 1945. IV. kötet, 1946. október 24. p. 112.

[64] MNL OL XIX-L-1-h/4d. 86.266/1945. 'Dr. Berkes Sándor javaslata (1946. november 26.)' p. 1.

[65] MNL OL M-KS 283. f. 32/22. ő. e. 'Kallós Imre beadványa (1945. szeptember 14.)' p. 20.

[66] MNL OL XIX-A-10/40d. III/1-g. 165/1945. 'Sziget István beadványa (1945. november 28.)' p. 1.

[67] MNL OL XIX-A-10/40d. III/1-g. 37/1945. 'Bereczk László beadványa (1945. október 27.)' p. 1.

[68] MNL OL XIX-L-1-h/4d. 86.266/1945. p. 1.

should implement severe sanctions for illegal activities such as confiscating property. In October 1945, Horsai reasoned in the following way:

> In the interest of eliminating illicit trade, it would be desired that people who do not practice trade must not loiter in Budapest as the hyenas of black marketing are constructed of these elements. Today when we need every workers' hands in the service of production and reconstruction, there are as many unproductive elements as never before. The elimination of these elements from economic life through taxation is not even taken into account, however, these are malicious vermin of our democracy in regards to inflation.[69]

While people mostly complained about workers' economic deprivation, Elemér Kun of the NPP reflected on peasants' everyday hardship which, in his view, stood in sharp contrast to merchants' living standards: 'Due to the abnormal development of prices, not only workers and public servants fail to fulfil basic needs, but also the peasantry, the country's most enormous stratum, end up in an ever more difficult situation'.[70] While the government considered the peasantry to be advantaged relative to workers in terms of securing bare subsistence amid inflating prices, in November 1945, István Kulin, the chairman of the Chamber of Agriculture of the East-Bank of Tisza, warned about re-emerging antisemitism in the countryside. In his lengthy report submitted both to the recently-elected prime minister, Zoltán Tildy, and the finance minister, Ferenc Gordon, Kulin argued that the government should have had a media information campaign to educate people about the economic causes of inflation to avoid the development of further conflict between 'Jewish and Catholic societies'. Kulin observed in East Hungary that,

> […] [People today] practically do not see anything else in the labour of Jewish merchants but the misuse of price-boosting to an easeful and speedy enrichment. This whispering and semi-loud accusation as well as criticism, this recent manifestation of antipathy, unfortunately materialised generally within society's uninformed, and in not a small part, fascist-souled stratum.

[69] MNL OL M-KS 283. f. 32/22. ő. e. 'Horsai Ede beadványa' (1945. október 6.)' p. 24.
[70] MNL OL XIX-A-10/64d. XIV/1-a. 5282/1945.

Kulin even provided a sound diagnosis of inflation and explained why merchants should not be stigmatised in the news:

> Unfortunately, so to speak, no one has realised the economic fact that when there is an increase in demand, market prices take shape in line with highest acquisition costs. People judge merchants who, with a few unscrupulous exception, did not do anything else but to conform to the principles of supply and demand and price increase, and as a matter of course, meanwhile, in the interest of profit maximisation, they strove to go in quest of sources of supply [in places] where they could procure their cheapest merchandise. We must, therefore, neither condemn nor denounce anyone for this.[71]

Kulin alluded in his report to the role of party propaganda in guiding people's opinions and actions about economic problems and their associations with social questions. Although in reviewing Kulin's letter, PM admitted that 'there is indeed somewhat of a neo-antisemitism developing' and that 'public opinion infected with fascism needs time until it can think democratically about the Jewish question too', the ministry filed Kulin's report without any further actions taken.[72]

3.3. Calling for State Intervention: economic control and public provisioning

By the end of summer 1945, the daily survival of workers became widely discussed in national committees, factories, and the news.[73] Between 15 July and 15 August 1945, real wages depreciated by 25 per cent. Although the government implemented a 50 per cent wage increase in August, real wages soon dropped in value again by 40 per cent in September.[74] Worsening inflation by September 1945 made workers increasingly aware that conventional economic policy was ineffectual. Not only did prices grow daily, but industrial output also decreased as miners failed to provide enough coal to fuel factories. In November, miners at Tatabánya even

[71] MNL OL XIX-L-1-h/4d. 86.247/1945. 'Kulin István felterjesztése a keresztény és zsidó társadalom között előállt türelmetlenség megszüntetése tárgyában (1945. november 23.)' pp. 4-5.
[72] MNL OL XIX-L-1-h/4d. 86.247/1945. p. 2.
[73] Gyula Erdmann and Iván Pető, *A Magyar Szénbányászat a Felszabadulástól a Hároméves Terv Végéig* (Budapest: Akadémiai Kiadó, 1977), pp. 24–28.
[74] MNL OL M-KS 274. f. 12/19. ő. e. 'Az ipari munkabérek alakulása (1945. július 15. – 1946. június 16.)'

willingly withheld coal from the capital to exchange it for food with local producers.[75] In 1945, coal production only reached 34 per cent of the 1943 level and 42 per cent of the 1938 level. At *Ganz Művek* (Ganz Works), coal deliveries barely covered 2,5 per cent of the factory's fuel requirements in October 1945.[76] In early October, fuel shortages compelled the *Weiss Manfréd Acél- és Fémművek* (Weiss Manfréd Steel and Metal Works) to halt production for days on end.[77] On 5 October, the communist Lajos Drahos, vice-president of the factory committee at *Weiss Manfréd*, reported that labour productivity had fallen from 80 per cent to 25–30 per cent at the factory. Drahos attributed this to workers' low-calorie intake. He noted that strikes were daily occurrences which even the factory committee found challenging to dismantle. Drahos warned that production was at nadir and that the factory's output depended on whether workers' bare subsistence would be covered.[78]

National and factory committees, in which communists took the majority of seats, demanded government intervention in the face of skyrocketing prices and mushrooming illegal economic activities.[79] In July 1945, when the pengő's depreciation accelerated into hyperinflation, national committees began to request the implementation of bureaucratic distribution of goods. Elemér Kun from Székesfehérvár, for instance, argued that 'it has rapidly proven to be the case that free commerce, as opposed to the previous system based on price regulations and delivery requirements, could not even provide the population's provisioning to an extent as it was secured previously.' In September 1945, the report gave a sharp critique of the government's free market policy:

---

[75] Erdmann and Pető, p. 27.

[76] Erdmann and Pető, pp. 35–36.

[77] 'Kialszik a tűz a kazánokban', *Fogaskerék*, 27 October 1945, p. 3.

[78] MNL OL Z 403 C 35 'Jegyzőkönyv a folyó hó 5-én megtartott vezetőségi értekezletről (1945. október 5.)' pp. 3-5.

[79] National committees requested the government to continue economic management as national committees practised it since late 1944, see Balázs, *Népmozgalom És Nemzeti Bizottságok 1945-1946*, pp. 162–67. Crucial to note, however, that the Communist Party considered local committees as political organs loyal to MKP. The communists expected national committees to support the government's left by pressuring the 'the right-wing of the coalition from below'. See Beszteri, p. 4.

> The responsible government-organs realise that under the current circumstances the completely free development of prices is unsustainable albeit without any sort of restrictions, instead of drawing inferences and introducing comprehensive price regulations and control over the circulation of both industrial and agricultural goods, they attempt to patch up the situation, in a way that they constrain the prices of foodstuffs, that is, they constrain the prices of the agricultural stratum, while they do not forestall price increases of industrial goods.[80]

From autumn 1945, as the effects of hyperinflation rippled through everyday life, not only national committees but even workers nationwide generally deemed that comprehensive economic control (*kötött gazdálkodás*) was a prerequisite to provide immediate relief.[81] Ede Horsai argued that 'Both profit-making and merchants' capital accumulation were endurable when goods found a way from producers to consumers through respectable commerce, especially when prices were self-regulating thanks to the abundance of goods […]. Today, however, illegal commerce prevails […].' In order to put an end to illegal activities in commercial life and to provide workers with bare subsistence, Horsai proposed the regulation of wholesaling to aid the 'movement of goods' from producers to consumers.[82] In a similar vein, the social democrat, István Sziget, argued that 'that besides the introduction of economic control [*kötött gazdálkodás*], we must bring prices in harmony with production costs. It is outrageous that, for instance, a farmer has to pay the [price] of quintal wheat to purchase a horseshoe'.[83]

People petitioning the government blamed the free market for the unequal distribution of goods.[84] They argued that the state should not abandon workers whose labour it had wished to put towards the reconstruction of the country. In October 1945, László Bereczk argued that 'Public provisioning, industry, and monetary policy are so tightly intertwined that they can

[80] MNL OL XIX-A-10/64d. XIV/1-a. 5282/1945.
[81] For instance, see various issues of *Fogaskerék* from summer 1945. At WM, for instance, workers became increasingly sensitive to price increases as the factory's various plans to self-sufficiency in food provisioning failed to bring the desired effect.
[82] MNL OL M-KS 283. f. 32/22. ő. e. pp. 23-24.
[83] MNL OL XIX-A-10/40d. III/1-g 165/1945. 'Sziget István beadványa (1945. november 28.)' p. 1.
[84] MNL OL M-KS 283. f. 32/22. ő. e. 'Csányi Gyula beadványa' pp. 130-132.

only be remedied together', therefore, the state must intervene directly in the economy to ease economic hardships. Bereczk argued that 'we must eliminate free commerce and introduce the bureaucratic allocation of goods'.[85] Views in favour of market regulation even emerged within the Budapest Chamber of Industry and Commerce, which under normal circumstances favoured laissez-faire policies:

> Today public provisioning issues cannot be assisted by solving the price question alone. The pengő's purchasing power in the countryside is so slim that without the direct exchanges of goods [between country and city] public provisioning cannot be remedied. […] The government must transition to the direct exchanges of goods, as without this, it will not be able to lure out goods from farmers.[86]

Against the backdrop of daily strikes in factories, citizens petitioning authorities also shifted the emphasis from short-term conventional fiscal, monetary, and credit-policy objectives to a long-term view of linking production and the availability of consumer goods to public policy and economic reconstruction. This shift in the tone of proposals over the summer is best illuminated by the social democrat Imre Kallós' two plans submitted to SZdP, first on 30 July and again on 25 September 1945. While Kallós, in July, mostly offered technical solutions to curb inflation, such as reforming the tax system to fund the budget deficit as well as various indirect restrictions on bank lending, in September, when price increases reached new heights nationwide, he argued that

> in the interest of workers, perhaps at the expense of other sectors of economic equilibrium, [SZdP] must take on certain sacrifices *if these would allow workers to provide a livelihood to themselves from the profit of their labour* [emphasis in original]. Such solution is the sliding wage scale established on the basis of an index-currency'.[87]

[85] MNL OL XIX-A-10/40d. III/1-g 37/1945. 'Bereczk László beadványa (1945. október 27.)' p. 2. Moreover, see MNL OL XIX-A-10/64d. XIV/1-a. 303/1946. 'Kőszeg Miksa beadványa (1946. január 2.)' and MNL OL XIX-A-10/64d. XIV/1-a. 562/1946. 'Neumann Miklós beadványa (1946. január 16.)'

[86] MNL OL XIX-L-1-h/4d. 86.217/1945 'Jegyzőkönyv a kamarai közellátási véleményező tanács 1945. november hó 12-i első üléséről' p. 2.

[87] MNL OL M-KS 283. f. 32/22. ő. e. 'T. Szociáldemokrata Párt vezetőségének (1945. július 30.)' pp. 5-6. and MNL OL M-KS 283. f. 32/22. ő. e. 'A Szociáldemokrata Párt Politikai Bizottságának (1945. szeptember 14.)' p. 22.

In September 1945, Kallós proposed a new unit of account based on the pengő's indexation calculated from the consumer price index to provide immediate relief to workers.[88] He argued, 'If collective wages […] were based on *indexpengő*, price developments would not engender constant inconveniences for the most precious strata of democracy, the broad working masses.'[89] Kallós went even further by arguing that the government could use indexation to win domestic-policy space:

> The reconfiguration of the levying of taxes and tax arrears, moreover, bank lending and bank reserves onto an *indexpengő* basis would cut off in large measure the faith in the sustainability of investments in hard currencies, it would increase the treasury's revenue and bring into play the economically truly valued process of the accretion of bank deposits and abolish the demand for speculative loans and, finally, place within definite bounds the circulation of banknotes.

From summer 1945, as the discrepancy between inflating prices and wages increased, national committees requested a plan to guard workers against price increases.[90] Simultaneously, conventional fiscal policies were increasingly regarded as inferior to production incentives. Berkes, in November, for instance, argued that the 'solution for [Hungary's] economic situation [was] not a question of money, but commodity' and that 'the inflation [was] only an accompanying symptom of shortages'.[91] Berkes explained that a decrease in the country's productive capacity initiated inflation and that 'We must begin real production to step-by-step lead workers' hands back to their actual professions; we must return the idle to productive work.' To achieve this, Berkes advised the government to actively intervene in the economy

[88] Currency indexation was not a new invention in Hungary. During the hyperinflation of the korona (1923-4), the government introduced indexation in the form of the *takarékkorona* (savingscrown) to curb inflation. It was based on the daily exchange rate of the *papírkorona* (papercrown) and the dollar. On the *takarékkorona*, see Gyula Szigeti, 'A Takarékkorona Szerepe a Pénz- És Hitelforgalomban', *Magyar Statisztikai Szemle*, II.5–6 (1924), 210–16. and Lowell L. Ecker, 'The Hungarian Thrift-Crown', *The American Economic Review*, 23.3 (1933), 471–74.

[89] MNL OL M-KS 283. f. 32/22. ő. e. 'A Szociáldemokrata Párt Politikai Bizottságának (1945. szeptember 14.)' pp. 20-21.

[90] '500 pengős vaj!', *Kecskeméti Lapok*, 21 June 1945, p. 3.; 'Kötött gazdálkodást követel a közérdek Pécsett és Baranyában', *Dunántúli Népszava*, 23 August 1945, p. 2.; 'Dr. Jaczkó Pál főispán nyilatkozata', *Szabad Vasmegye*, 8 September 1945, p. 3.

[91] MNL OL XIX-L-1-h/4d. 86.266/1945. p. 2. 'Dr. Berkes Sándor javaslata (1946. november 26.)'

and provide bare subsistence to workers as an incentive.[92] He proposed that the government cease 'the production of money' and instead tax the industrial and agricultural sectors in kind. He argued that this measure would help the state to remunerate workers in kind and decrease prices. Similarly, István Sziget in November also argued that 'the economy's foundation was production and that conventional fiscal measures such as 'over-taxation, requisitioning, and the dishonouring of work done' would only endanger production.'[93] To incentivise workers to increase output, Sziget proposed the government to remunerate workers in debt securities such as government bonds. While in summer 1945, the provisional government turned down unorthodox measures, from autumn, it began to consider new ways of economic control, workers' remuneration, and funding the deficit to maintain production.[94]

4. Hyperinflation Unbound: economic reconstruction and the social foundations of the currency reform (November 1945–August 1946)

4.1. Funding Reconstruction: economic control, monetary reforms, and the inflation tax

In autumn 1945, authorities gradually accepted that decreasing economic output and the high share of reparations in national income delayed fiscal recovery.[95] By the end of September, experts, who would come to dominate economic policy-making after the November elections, mostly accepted that any future government must depart from supporting the market to economic control even if it risked accelerating inflation.[96] On 27 September, for instance, the chairman of OGT, Zoltán Tildy, future prime minister from November, warned the head of the

[92] MNL OL XIX-L-1-h/4d. 86.266/1945. p. 7. 'Dr. Berkes Sándor javaslata (1946. november 26.)'

[93] MNL OL XIX-A-10/40d. III/1-g. 165/1945. 'Szigeti István beadványa 1945. november 28.)' p. 1.

[94] In summer 1946, even communists conceived that increases in wages would aggrevate inflation. Erdmann and Pető, p. 24. See also, 'Kisajátítják az újjáépítést szabotáló gyárakat', *Kossuth Népe*, 3 July 1945, p. 1. and 'A drágaság', *Szabad Vasmegye*, 8 July 1945, p. 1.

[95] In 1945, reparations comprised 15–22 per cent of national income. See Kenez, p. 77.

[96] For a more detailed account of events, see Ferenc Gordon, '1945-47 Történetéhez (I.)', *Látóhatár*, V.6 (1954), pp. 363–67.

provisional government about Hungary's 'catastrophic' situation. Tildy argued that not only did Hungary face accelerating inflation in the coming months but also 'the most serious winter in modern history' due to fuel and food shortages. Accordingly, Tildy requested the provisional government to draw up a comprehensive report of the country's economic condition and request immediate commodity-aid relief from UNRRA in order to avoid winter famine.[97]

Even the provisional government increasingly accepted that instead of conventional fiscal and monetary policy, unorthodox measures must be applied to increase economic output.[98] On 27 September, for instance, the minister of finance, Imre Oltványi, argued that 'We must establish that there is no point looking for a remedy from a monetary aspect, it is only viable that we slow down inflation while commodity production reaches a satisfactory standard'.[99] FKgP's economic expert, István Varga, who would play an important role in devising the country's new price system after August 1946, emphasised that 'instead of money, we must think in terms of materials, labour power, and production capacities in creating the budget'.[100] On 17 October, Varga even drafted a detailed proposal about the country's transitioning to economic control. Varga argued that instead of rivalries among ministries of the coalition government along party interests, the future government should evaluate and prioritise credit applications in view of productivity prospects after the November elections.[101]

Both the Budapest municipal elections on 7 October and the parliamentary elections on 4 November proved decisive in the future government's inflation management policy. After the Communist Party's loss in the Budapest municipal elections on 7 October, the communists changed tactics. They began to push for the introduction of the sliding wage scale in the

[97] MNL OL XIX-L-1-h/3d. 85.892/1945. 'Az államháztartás adatainak közlése a miniszterelnök úrral'
[98] 'Oltványi pénzügyminiszter nyilatkozata', *Szabad Nép*, 26 August 1945, p. 2.
[99] László Szűcs, *Dálnoki Miklós Béla Kormányának (Ideiglenes Nemzeti Kormány) Minisztertanácsi Jegyzőkönyvei 1944. December 23.-1945. November 15. B Kötet* (Budapest: Magyar Országos Levéltár, 1997), p. 608.
[100] Szűcs, *Dálnoki B Kötet*, pp. 608–9.
[101] MNL OL XIX-L-1-h/3d. 86.022/1945. 'A kötött gazdálkodásra való áttéréssel kapcsolatosan szükséges intézkedések (1945. október 17.)' p. 17.

industry (*mozgó bérskála*) to buttress the party's support among workers ahead of the national elections.[102] However, this could not change the general mood in the country which considered the Communist Party an accomplice of the widely despised occupying Soviet Red Army.[103] In the national elections on 4 November, FKgP received 57,03 per cent, SZdP 17,41 per cent, the Communist Party 16,95, and NPP 8,28 per cent of the vote.[104] Without Soviet occupation, FKgP's victory could have allowed the party to form a government alone. The Soviet-dominated KEB, however, forced FKgP to maintain the coalition with SZdP, NPP, and the Communist Party.[105] Subsequently, on 24 November, the government established GF to oversee preparations for the currency reform, including the country's transitioning to comprehensive economic control. The government empowered GF to supervise and control economic activities in the country. It granted chief executive powers to the communist Zoltán Vas in his capacity as GF's secretary-general. Although FKgP's prime minister, Zoltán Tildy (November 1945–February 1946) and later Ferenc Nagy (February 1946–May 1947), was appointed president of the organisation, decision-making was effectively placed into the hands of the Communist Party instead of the democratically-elected government. These proceedings allowed the communists to exercise quasi-dictatorial control over the economy and even over the country's political life.[106]

After the elections of November, at the end of the year, the country experienced a problematic winter due to acute shortages in consumer goods, a significant decrease in the

---

[102] MNL OL XIX-L-1-h/4d. 86.162/1945. 'Tájékoztató és állásfoglalás a mozgó bérrendszer bevezetése tárgyában' See also 'Vas Zoltán a munkabérekért!', *Szabad Újpest*, 12 October 1945, p. 4; 'Sztrájkokkal felelt a munkásság a kiéheztetés politikájára', *Szabad Nép*, 11 October 1945, p. 1.; and later in November, 'Nem 100 százalékokat: mozgó bérskálát!' *Fogaskerék*, 17 November 1945, p. 2.

[103] Kovács, pp. 277–81; Kenez, pp. 98–102.

[104] Sándor Balogh, *Választások Magyarországon 1945* (Budapest: Kossuth Könyvkiadó, 1984), p. 147.

[105] Geoffrey Swain and Nigel Swain, *Eastern Europe since 1945* (Basingstoke: Macmillan, 1998), p. 44.

[106] For instance, Ferenc Nagy, in his memoirs, argued that the GF 'became a state within the state'. Ferenc Nagy, *Küzdelem a Vasfüggöny Mögött I.* (Budapest: Európa Könyvkiadó, 1990), p. 221. Zoltán Vas largely approved Nagy's evaluation of GF's significance in furthering communist control in Hungary. See in Vas, p. 174.

country's coal production, and, consequently, production stoppages at several large enterprises. Strikes took place daily in factories and mines.[107] In winter 1945–1946, the new government took various measures to increase revenue from regular taxes and the 'inflation tax'.[108] The stamping of banknotes (*bankjegydézsma*) on 19 December helped curb inflation temporarily.[109] On 1 January 1946, the government introduced an alternative indexed unit of account, the *adópengő* (taxpengő), presumably out of compulsion of diminishing purchasing power gained through the printing press. By December 1945, authorities presumably feared that the pengő would entirely cease to perform as a medium of exchange in daily transactions.[110] The taxpengő was based on the cost of living index computed daily by MGkI with a two-day delay until 31 March. Then, from April, GF took over the calculation of the conversion rate.[111] The taxpengő was designed to mitigate the treasury's loss in the real value of taxes due to the time lag between the assessment, collection, and disbursement of tax liabilities. In the first months of 1946, the policy was partially successful. It helped the government double tax revenue from an average of seven per cent in July–December 1945 to 14 per cent in January–March 1946.[112] The monthly inflation rate of the pengő decreased from 541 per cent in October 1945 to 88 per cent in January 1946. In February, it increased to 503 per cent but fell again to 330 per cent in March.[113]

On 10 January 1946, the government decreed the indexation of credits and bank deposits along the taxpengő price index. Grossman & Horváth argued that this measure helped

[107] Habuda, pp. 115–29.
[108] 'Inflation tax' is gained from the redistribution of resources from the public to the government through printing new money. Inflation reduces the real income of households, increases or maintains nominal budgetary revenue, and reduces the real value of government debt.
[109] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 100–102.
[110] See calculations in Gyula Barsy, 'A Pengővaluta Elértéktelenedése', *Statisztikai Tájékoztató*, II, 1946.
[111] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 102–3.
[112] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 103–4.
[113] Paal, 'Destabilizing Effects of a Successful Stabilization: A Forward-Looking Explanation of the Second Hungarian Hyperinflation', p. 609.

reduce the real cost of capital and wages and thus speeded up economic reconstruction.[114] According to Kaldor, it stimulated investment in fixed capital.[115] According to this reasoning, this policy helped incentivise banks to finance the private sector and firms to employ untapped resources to increase economic output. Moreover, contemporary records suggest that it also helped maintain private commerce and accounting in the national currency. Merchants, for instance, could minimise their loss by paying proceeds into taxpengő accounts at the end of each working day.[116]

Despite the early successes of the taxpengő, the indexation of credits and deposits accelerated the pengő's depreciation rate.[117] Crucially, however, GF's decision to manipulate the taxpengő index to accelerate reconstruction greatly contributed to spiralling inflation from April.[118] The monthly inflation rate increased exponentially to 1,811 per cent in April, 30,570 per cent in May, 28 million per cent in June, and finally reached the astonishing 12,952 trillion per cent in July 1946.[119] Unlike what communist propaganda suggested at the time, the government's taxpengő policy effectively advantaged large businesses at the expense of workers.[120]

In February, the government, on communist initiation, introduced the *kalóriapengő* (caloriepengő) system to rein in the depreciation of wages.[121] The calorie wage system

---

[114] Grossman and Horváth, p. 414.

[115] Kaldor.

[116] 'Csődöt mondott a nagyvásártelepi ármegállapító rendszer az újpesti piacon', *Szabad Újpest*, 29 June 1946, p. 1.

[117] W. A. Bomberger and Makinen; William A. Bomberger and Makinen. Paal estimated that even in the absence of deposit indexation, the hyperinflation would have still been the most severe ever recorded in history. See Beatrix Paal, 'Measuring the Inflation of Parallel Currencies: An Empirical Reevaluation Of the Second Hungarian Hyperinflation', *Stanford University Working Paper No. 00-01*, 2000.

[118] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 138–42. On the monetary benefit of using arbitrary exchange rates from a budgetary perspective, see Gyula Barsy, 'A Pengővaluta Vége. Az Adópengőzavarok Háttere És Okai.', *Statisztikai Tájékoztató*, V, 1946, p. 9.

[119] Paal, 'Destabilizing Effects of a Successful Stabilization: A Forward-Looking Explanation of the Second Hungarian Hyperinflation', p. 609.

[120] Grossman and Horváth, p. 420.

[121] In early 1946, the average food-rations of Budapest's adult population failed to reach 480 calories while even hard manual workers' ration on average was around 1,000–1,200 calories a day. See Pető and Szakács, p. 46.

mandated enterprises to supply workers with either foodstuffs or wages adjusted to inflation to cover bare subsistence. The communists envisaged that this policy would help dismantle strikes, restore labour discipline, and raise productivity. While concerns were raised regarding the system's effectiveness in the scheme's debate in December 1945, the communists nonetheless pushed to implement the reform. The communist secretary-general of the *Szakszervezeti Tanács* (Trade Union Council), István Kossa, suggested that the political stake was simply too high for the Communist Party not to capitalise on workers' money illusion who tended to consider money in nominal rather than real terms.[122]

Despite the indexation of wages, by early summer the calorie wage system completely broke down as prices increased by a daily 150,000 per cent in July.[123] While in April, workers upon receiving wages 'had to run the same day to the cobbler, barber, and retailer to spend all their money' in fear of a '30–40–50 per cent' decrease in money's value within days, by summer, workers could not even afford an egg from weekly wages.[124] In summer 1946, MGkI judged that it was unlikely that 'anyone would be capable to labour or even survive' solely from their income. In June 1946, MGkI estimated that workers' living standards averaged around 40–60 per cent of the desperately low previous year's standard. The report added that even maintaining this extremely low level was viable for workers only through engaging in black market activities.[125] While the calorie wage system was never as effective as intended, the system, nonetheless, helped maintain 'work disciple' and productivity on top of shock work

[122] MNL OL M-KS 274 f. 20/14. ő. e. 'Jegyzőkönyv a szaktanácsülésről (1945, december 17.)' First coined by Irving Fisher in 1926, and later popularised by Keynes, money illusion refers to people's tendency to consider money in nominal rather than real terms. Behavioural economics has confirmed this tendency of human behaviour.

[123] Grossman and Horváth, p. 407.

[124] MNL OL XIX-A-10/40d. III/1-g. 3933/1946. 'Markos László beadványa (1946. április 28.)' pp. 1-2.; MNL OL XIX-A-10/40d. III/1-g. 3886/1946. 'Barber Sándor beadványa (1943. [sic] május 2.)' pp. 1-2.; György Gyarmati, 'A Társadalom Közérzete a Fordulat Évében', in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 118–38. (p. 131).

[125] MNL OL M-KS 274. f. 12/19. ő. e. 'Az ipari munkabérek alakulása (1945. július 15. – 1946. június 16.)'

campaigns and a rise in employment.[126] It also helped avoid mass unrest among workers, as experienced in winter 1945–1946.[127]

Engineering citizens' consent to engage in labour in the prevailing circumstances and exchange for practically worthless wages was a risky endeavour for the government which promised to deliver a stable currency by August 1946. Simultaneously, as economic returns on citizens' money illusion diminished as even indexed wages could not keep up with prices, the value of propaganda increased to channel citizenry discontent away from the state to designated 'enemies'. This was especially relevant for the Communist Party, which strove to capitalise on the economic disorder and monopolise the implementation of economic stabilisation and currency reform to further its political power.

4.2. Funding Reconstruction: party propaganda and the moral dimensions of the inflation tax

Authorities, irrespective of party affiliation, favoured foreign loans to fund economic reconstruction.[128] However, Hungary's low credit rating rendered loans unfeasible at the time. Levying a surtax on individuals' wealth became a matter of interest relatively early on; however, regular taxes had already proven to be inadequate sources of revenue amid high inflationary pressure. This was proven after 19 December 1945, when a 75 per cent tax on over 1000-pengő face-value banknotes was introduced. The taxpengő system from January 1946 had also failed to increase tax revenue to an adequate level to cover the reconstruction and reparation expenses of the government. The government was, therefore, compelled to fund

[126] Concerning the mining industry, see Erdmann and Pető, pp. 54–55.

[127] On strikes taking mainly place between November 1945 and March 1946, see Habuda, pp. 115–29. On the calorie wage system, see Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 114–17. On the low opportunity costs of workers, see Grossman and Horváth, pp. 419–25. On the development of public opinion during the final months of the hyperinflation and after, see Gyarmati, 'A Társadalom Közérzete a Fordulat Évében'.

[128] See MNL OL M-KS 283. f. 32/22. ő. e. 'Dr. Irányi József beadványa' p. 96. Also see Vas, pp. 194–95. and Pető and Szakács, p. 67.

economic stabilisation through the 'inflation tax', which put a disproportionately large strain on workers' livelihood. Workers nonetheless acquiesced. They, however, questioned the moral basis of the government's policy of using 'free labour' in the process. People petitioning authorities proposed creative ways to help resolve this moral dilemma.

In October 1945, László Bereczk, for instance, suggested that the need to increase economic output could not justify the government's 'permanent' use of 'free labour'. He emphasised that 'if the state cannot pay [for labour], it must acknowledge its debt to workers […] in the form of state-debt bonds'.[129] István Sziget, a small business owner from Szászvár, in a similar vein, argued that 'the inability of employers to remunerate workers made productivity decrease' and that 'if goods are too few then money has to be little too [thus] 50 per cent of wages must be paid in workers' reconstruction wheat-loan'.[130] Artúr Vas, the director of the Hungarian Wood-exporting Cooperative in Budapest, deemed that an option to purchase state-bonds with a dollar or Swiss franc backing would persuade workers to voluntarily pay their income into state-loans to mature in five years.[131] In a similar vein, János Párkány proposed that the state should issue 'forced state-loans' to drain the money reserves of people who profited economically from the pengő's devaluation. Párkány proposed state-loans to be enforced upon the rich exclusively. A crucial aspect of Párkány's proposal was the notion of 'observable wealth' in the name of social justice. Párkány argued that 'the tax-bearing capacity of a pub owner or a private individual owning an automobile are given; thus, we need not look further for other grounds to estimate one's tax-bearing capacity'.[132]

Although PM generally welcomed plans for reducing citizens' purchasing power in the interest of economic stabilisation, it outright rejected any claim for financial compensation

[129] MNL OL XIX-A-10/40d. III/1-g. 37/1945. 'Bereczk László beadványa (1945. október 27.)' p. 1.
[130] MNL OL XIX-A-10/40d. III/1-g. 165/1945. 'Szigeti István beadványa 1945. november 28.)' p. 2.
[131] MNL OL XIX-A-10/40d. III/1-g. 4824/1946. 'Vas Artúr beadványa (1946. június)' pp. 1-2.
[132] MNL OL XIX-L-1-h/6d. 80.834/1946. 'Dr. Párkány János kényszer-kölcsön tervezete (1946. július 22.)' pp. 1-2.

from the state. PM asserted that the state was the victim of inflation due to the decrease in national income.[133] On this basis, during most of the hyperinflation, authorities generally disagreed that people should be provided with any promise to liquid capital in the post-stabilisation years; instead, authorities supported alternative incentives, mostly in the form of inflationary finance, to increase economic output.[134] Only in June 1946, after authorities established that financial stability was contingent upon the coming harvest, the government issued the *búzakötvény* (wheat-bond), with a four per cent coupon rate and the principal established along wheat prices in 1938, to incentivise farmers to deliver crops to the state.[135] In the following years, however, the state perpetually postponed the redemption of *búzakötvény* bonds. Instead of the proposed maturity of 1948, in 1948, GF authorised the state to postpone repayments until 1959.[136] As a substitute for liquid capital, the government only permitted tax payments with the *búzakötvény* under the new currency regime.

From May 1946, when the currency's reform implementation date, 1 August 1946, was announced in the media, the Communist Party launched a wide-scale propaganda campaign to mobilise workers for reconstruction. Propaganda increasingly argued that instead of the government's economic policy, 'speculators' arbitrary price increases provoked the radical devaluation of 'workers' money wages.[137] This was part of MKP's conscious political strategy. As argued by the Communist Party's economic expert, István Antos, in February 1946, economic stabilisation was '*primarily a political battle* […] *inseparable from the battle against reactionaries* [emphasis in original]'.[138] From May, the communists began to hit an increasingly militant tone both at political rallies and in the press as GF continued to manipulate

[133] MNL OL XIX-A-10/40d. III/1-g. 37/1945. 'Javaslat az infláció megakadályozására (Bereczk László, 1945. október 27.)' p. 1.
[134] Also see MNL OL M-KS 283. f. 32/22. ő. e. 'A második világháborút követő inflációs folyamat problémái' pp. 114-116.
[135] MNL OL XIX-A-10/11d. 'Jegyzőkönyv (1946. június 4.)'
[136] MNL OL XIX-A-10/39d. '1815/1948. GF határozat'
[137] 'Ki fizesse a szanálást?', *Szabad Nép*, 26 May 1946, p. 7.
[138] István Antos, *Infláció Vagy Jó Pénz?* (Budapest: Szikra, 1946), p. 17.

the exchange rate between the pengő and indexpengő to accelerate the pace of reconstruction through the inflation tax. In July, for instance, leading communist politicians frequently spoke of 'hanging' anyone who would undermine the stabilisation's success to appeal to the antisemitic current prevalent in postwar Hungarian society.[139] During the final months of the hyperinflation, anyone selling goods could have been labelled a speculator as even the price of bread rose in the proportion of thousands within a matter of minutes.[140]

While it is impossible to estimate the extent to which citizens conceded to the communists' anti-merchant stance, communist propaganda helped strengthen leftist identities amid mass privation.[141] Changes in general mood were also represented in letters submitted to authorities during the period. These letters proposed that authorities reach for extreme measures to prosecute 'speculators'. They deemed that disciplining strata that engaged in 'unproductive labour' would increase workers' welfare and reinstate economic stability.

Letters received by authorities from April 1946 evidence that many believed 'speculators' and 'black-marketeers' were potential enemies of the new currency. For instance, in June 1946, Miklós Kiszely, a head-steward at *Magyar Államvasutak* (Hungarian Nation Railways), deemed that private merchants, peasants and even 'secret great powers' willingly conspired against workers to make a profit by using economic chaos to their advantage. He asserted that 'this unbelievable situation into which workers had got in recent weeks [...] means that the inflation has undoubtedly political reasons.' Kiszely thought that political forces aimed to intentionally shake citizens' faith in the stabilisation and 'morally undermine workers' trust' in the new money. He blamed local producers for 'boycotting money' and starving the urban

[139] '"Felkötjük, aki a szilárd pénz megteremtése után is spekulál!"', *Szabad Nép*, 2 July 1946, p. 1.; 'Aki a forinthoz nyúl, annak pusztulnia kell', *Szabad Nép*, 2 July 1946, p. 1.; Kenez, p. 159.
[140] Peter Falush, 'The Hungarian Hyper-Inflation of 1945-46.', in *National Westminster Bank Quarterly Review*, 1976, p. 49.
[141] Pittaway, 'The Politics of Legitimacy and Hungary's Postwar Transition'.

population.[142] Similarly, in July, Ernő Fodor also blamed hourly price increases on merchants' 'unmeasurable and unsatisfiable greediness'.[143]

In the countryside, where economic equality was less of a party-political question than a moral one deeply ingrained in popular culture, communist propaganda helped instigate workers and peasants against merchants, often of Jewish origin. As the hyperinflation began its final course of devaluation between April and July 1946, the destruction from war, the government's stabilisation policy of taxing resources away from workers and peasants to benefit private business, and the communists' anti-merchant propaganda created an environment conducive to the outbreak of collective violence in the countryside.[144] On 7 March at Szegvár, on 22 May at Kunmadaras, and on 30 July–1 August 1946 at Miskolc, locals attacked their predominantly Jewish neighbours. In all three cases, perpetrators deemed their actions legitimate because they were directed against people locals believed to have engaged in 'unproductive labour,' such as merchants, priests, or lawyers, yet fared disproportionately better than others in their communities' view.[145]

Although the Communist Party's news outlets promoted the narrative about fierce opposition among social classes, the coalition parties differed in their militancy about disciplining 'speculators' within society. This was mostly shaped by their electorate's composition and views. Nonetheless, on 19 June 1946, GF called the minister of justice to draft a decree about the 'protection of the forint' by 30 June. GF specified that the state must strike

[142] MNL OL XIX-A-10/40d. III/1-g. 5456/1946. 'Kiszely Miklós beadványa (1946. június 21.)' p. 1.

[143] MNL OL XIX-A-10/40d. III/1-g. 6388/1946. 'Fodor Ernő beadványa (1946. július 14.)' p. 2.

[144] On the increasing rate of redistribution of purchasing power from households to 'producers and speculators' during the end of the hyperinflation, see Louis Mark Jr., 'Postwar Inflation in Hungary' (Unpublished MA Thesis, University of California, 1947), pp. 63–64.

[145] Péter Apor, 'The Lost Deportations and the Lost People of Kunmadaras: A Pogrom in Hungary, 1946', *Hungarian Historical Review*, 2.3 (2013), 566–604; Péter Apor, Tamás Kende, Michala Lônčíková, and Valentin Săndulescu, 'Post-World War II Anti-Semitic Pogroms in East and East Central Europe: Collective Violence and Popular Culture', *European Review of History: Revue Européenne d'histoire*, 26.6 (2019), 913–27; Éva Standeisky, 'A Kommunisták Politikai Antiszemitizmusa (1945-1957)', *Századvég*, 12.44 (2007), 3–29; Péter Apor, *Forradalom a Hátsó Udvarban*.

everyone who undermined trust in the forint, such as by selling and buying foreign currencies and evading taxes, with 'exceptionally grave measures'.[146] Ahead of the currency reform in July, the communists even established 'forint-protecting committees' in apartment blocks.[147] Although trade organisations objected and called this measure 'anti-democratic', the committees were established nonetheless.[148] After the introduction of the forint on 1 August 1946, the government's implementation of a strict penal code and the state's conscious use of its law enforcing agencies (operating under communist supervision) helped increase state authority over economic life.[149]

4.3. Implementing the Currency Reform

Between April and July 1946, the pengő depreciated to such an extreme extent that it could no longer serve as a medium of exchange in everyday transactions.[150] In order to gain time ahead of the currency reform in August, from May, the government gradually made the *adópengő-jegy* (taxpengő-notes) legal tender to maintain accounting in the currency. On 14 May and 21 May, the government discussed the Communist Party's currency reform proposal and eventually accepted the new currency's introduction to take place on 1 August.[151] Experts believed that by the second half of 1946, the country's national income would reach 65–75 per cent of the prewar level.[152] The share of agriculture within national income was expected to

[146] MNL OL XIX-A-10/11d. 'Gazdasági Főtanács jegyzőkönyv, 1946. június 19. (F. határozati pont)'
[147] 'Forintvédő bizottságok a házakban', *Szabad Nép*, 18 July 1946, p. 3.
[148] On the objection of the *Kereskedők Országos Központi Szövetsége* (Merchants' National Central Alliance), see MNL OL XIX-A-10/64d. XIV/1-a. 6218/1946. (1946. július 19.)
[149] Ildikó Cserényi-Zsitnyányi, *A Politizált Gazdasági Rendőrség: A Gazdaságrendészeti Osztály, 1945-1948* (Budapest: Nemzeti Emlékezet Bizottsága, 2015).
[150] The total worth of the 47,4 quadrillion pengő banknotes in circulation was set at 0,01 fillér.
[151] László Szűcs, *Nagy Ferenc Első Kormányának Minisztertanácsi Jegyzőkönyvei A. Kötet 1946. Február 5. - 1946. Július 19.* (Budapest: Magyar Országos Levéltár, 2003), pp. 633–42 and pp. 692–697.
[152] 'Mindnyájunk vágya: a jó pénz', *Ifjúság*, 7 June 1946, p. 3. In 1964, István Varga quoted a 60 per cent target in national income relative to 1938, see István Varga, *Az Újabb Magyar Pénztörténet És Egyes Elméleti Tanulságai* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1964), p. 126. According to the communist finance

increase to 70–80 per cent of the 1938 level.[153] Experts believed that the spectacle of fully-stocked shelves with consumer goods would incentivise peasants to exchange agricultural produce for new money from 1 August 1946.[154] Producers were expected to settle tax obligations in the forint. Together with consumer goods on shelves and in shop displays, the government's plan expected taxes to generate demand for the new money and incentivise production.[155]

From May 1946, the *Anyag- és Árhivatal* (Material and Price Office) began laying down the new budget's foundations. First, it established the forint's quantitative relation to commodities under the new currency regime. It based prices on the arbitrary estimation of quintal wheat and its price-relation to other staples.[156] In the new price structure, industrial prices were set high relative to agricultural prices.[157] The currency reform was generally devised to bring about the scarcity of money after 1 August. The government believed that this measure would incentivise citizens to work in exchange for forint wages. This measure was also planned to compel citizens to exchange dollar and/or gold savings for the forint. The government decreed taxpengő-notes convertibility to the new currency to maintain production immediately before the currency reform.[158] State expenditures were subject to fiscal discipline.

---

state-secretary, István Antos, by the end of July, national income reached 60–70 per cent. See 'Antos István dr. államtitkár nagyszabású beszámolója a kormány pénzügyi terveiről', *Szabad Újpest*, pp. 1-2.

[153] Ernő Huszti, 'Hetven Éves a Magyar Forint', *Pénzügyi Szemle*, 61.4 (2016), pp. 448–49.

[154] Barsy, 'A Pengővaluta Vége. Az Adópengőzavarok Háttere És Okai.', p. 11. The government executed its commodity accumulation strategy in secret. Not even Barsy at KSH knew about it when he compiled his analysis in July 1946. The communists (with all coalition parties' authorisation) established the quasi-private enterprise, *West-Orient Kft.*, to rake off profits from smuggling from Hungary. With proceeds from illegal trade across postwar Europe, West-Orient purchased consumer goods from western markets to complement domestic produce in economic stabilisation. Between August and December 1946, Hungary (beyond production for reparation payments) produced 3,000,000 metres of textile for domestic use each month. West-Orient contributed to this with an additional 2,500,000 metres per month in the same period. See MNL OL XIX-L-1-h/6d. 80.926/1946. 'Elsőrendű fontosságú iparcikkek elosztása (1946. augusztus 6.)'

[155] Szűcs, *Nagy Ferenc Első Kormányának Minisztertanácsi Jegyzőkönyvei A. Kötet 1946. Február 5. - 1946. Július 19.*, p. 636.

[156] MNL OL XIX-A-10/40. 'Varga István: Feljegyzés a stabilizálással összefüggő ár- és valutaproblémák megoldása előkészítésének munkamenetéről (1946. június 16.)'

[157] Jenő Varga, 'A parasztság és az agrárolló', *Szabad Nép*, 3 August 1946, p. 1.

[158] On 25 July, GF established the value of one forint to equal 200,000,000 taxpengő. See MNL OL XIX-A-10/12d. 'Gazdasági Főtanács jegyzőkönyv, 1946. július 25.'

The number of civil servants as well as salaries and pensions in public administration were drastically cut to reduce government expenditure. From August 1946, tax rates were raised, and various legal and practical measures were implemented to compel citizens to fulfil tax obligations to maintain the fiscal balance.[159]

The currency reform became a relative success. It was largely due to a significant increase in economic output by August. Production levels in mining increased to 90 per cent. At the same time, productive capacities in the iron, metal and machine industries stood at 75 per cent of the 1938 levels by the time of the currency reform. By summer 1946, 80 per cent of railroads had been restored. The country's total commodity reserves also fared favourably at 40 per cent of the prewar level by July 1946.[160] From 5 August, newspapers reported the success of the forint in the countryside.[161] While in August 1946, tax revenue covered 29,6 per cent of expenditures, this rate gradually rose to 54,1 per cent in September, 83,1 per cent in October, 83,4 per cent in November, and 95,8 per cent in December. In the 1946–1947 fiscal year, tax revenue covered 85,2 per cent of expenditures on average.[162] While the reform failed to deliver a fully stable currency after August, relative price stability became representative of the economy, providing a solid ground to begin preparations for implementating the three-year reconstruction plan (1947–1949).[163] Under the new currency regime, when state control could have been gradually lifted to favour private enterprise, the communist-led GF kept constraining commercial crediting against the backdrop of the Communist Party's dismantling of Hungary's democratic institutions and nationalisation of the private sector.

---

[159] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, pp. 144–50.
[160] Iván Berend T., *A Szocialista Gazdaság Fejlődése Magyarországon, 1945-1968*, p. 41.
[161] For instance, see 'Első jelentések a forint vidéki premierjéről', *Világosság*, 6 August 1946, p. 1. and 'A forint sikere', *Szabad Nép*, 5 August 1946, p. 1.
[162] William A. Bomberger and Makinen, pp. 816–17; MGkI, *Gazdasági Helyzetjelentés 54.*, p. 84; Kemény, pp. 11–12. For slightly alternative figures, see Kemény, pp. 11–12. and Bomberger and Makinen, pp. 816–17. Both Kemény and Bomberger & Makinen quote different data for monthly increases in revenue. However, they both set total average revenue in the first fiscal year of August 1946–July 1947 at 78 per cent.
[163] Kemény, pp. 13–16.

5. Conclusion

The chapter has shown that Hungary's postwar economic and financial stabilisation was a multifaceted process as dependent on the state's pragmatic answers to economic issues as it was on workers' acquiescence to economic hardships in the interest of reconstruction due to compulsion. The chapter has confirmed that the hyperinflation (July 1945–July 1946) and, more broadly, Hungary's immediate postwar financial history cannot be viewed as a homogenous period.[164] Instead, the chapter has identified three phases in the development of the economic, social, and political history of postwar hyperinflation: April–November 1945; November 1945–April 1946; and April 1946–August 1946.

First, after the provisional government had relocated its seat from Debrecen to Budapest, it adopted various free market policies to facilitate public provisioning. Together with the legacy of the wartime governments' inflationary finance, the Soviet Union's postwar reparation policy, and the highly unfavourable terms of the armistice upon which the Hungarians were forced to agree on in January 1945, economic liberalism helped put the pengő on an inflationary path in early 1945. Surging inflation led to a radical decrease in households' real income. Poverty, in turn, rendered unorthodox economic measures, such as the central allocation of resources and increased redistribution, legitimate options for citizens and policy-makers irrespective of party affiliation.

Second, after the Communist Party's loss in the municipal elections of Budapest in October 1945 and later in the national elections in November 1945, MKP adopted a radical economic programme to appeal to its electorate. From this time onwards, MKP increasingly used propaganda against 'reactionaries' to win political support for economic dirigisme. The

[164] Siklos, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48*, p. 134.

coalition parties' approach to economic stabilisation in the new government differed in the means and methods of implementing the currency reform. FKgP, for instance, preferred and lobbied the Western Allied powers for a higher degree of Western economic assistance to compensate for Soviet intrusion into Hungarian economic and political life. The FKgP's ambition to secure Western credits to stabilise the currency was not a sign of defeatism as the communists would argue for years to come; instead, as well as strengthening Hungary's link with the West, conservative experts believed foreign credits would help distribute the burden of economic reconstruction more equally within society. This, however, soon turned out to be an unrealistic option. Having no alternative, the government turned to the inflation tax to fund the private sector to increase economic output. Effectively, this measure placed the burden of reconstruction on workers and peasants disproportionately relative to other social strata.

Third, in April 1946, GF began to manipulate the taxpengő index to accelerate reconstruction in preparation for the currency reform of August 1946. This measure pushed hyperinflation to astronomical heights. It also radically increased workers' burden compared to private businesses in the reconstruction process. In order to channel public resentment away from the state, the communists began aggressive propaganda against 'speculators' and 'black marketeers'. The result was the successful implementation of the currency reform in August 1946 with the caveat of relatively high socio-economic costs.

Finally, the chapter has argued that instead of eliminating money, establishing a stable currency was essential for the communists to engineer their long-term project of implementing centralised planning in Hungary. While in 1945–1946, propaganda led citizens to believe that the currency reform would pave the way towards prosperity in return for citizens' sacrifices borne during the hyperinflation, in 1946–1948, real wages only grew moderately, to decrease significantly afterwards as the communist regime began to consciously decrease the living

standards, for instance, by direct taxation and compulsory state-loans, to fund Stalinist state building in Hungary.

The next chapter forms the first part of the thesis' assessment of the early-socialist regime's use of private monetary sources in funding communist industrialisation in Hungary. The following chapter considers the subject through the lens of state-loans and the urban population in 1946–1955.

Chapter 2, Funding Stalinism I: state-loans and subscription campaigns (1946–1955)

1. Introduction

On 29 September 1952, during the second day of the third *békekölcsön* (peace-loan) subscription campaign, János Deák, a 'high profile' Stakhanovite foreman at MÁVAG—no less than the initiator of the national work competition campaign, the 'Deák-movement'—was visited by two secretaries of MÁVAG party committee.[1] The secretaries questioned Deák about his view that he would rather relinquish his prestigious state-sponsored award, the *Kossuth Díj* (Kossuth Prize), to work full time on his machine to receive target bonuses than being 'exploited' as an 'advertisement man' by the party.[2] Deák acknowledged the statement but emphasised that he had to provide for four children and a hospitalised wife. Deák exercised self-critique but continued to speak of his family's poor material conditions and frustration with 'invitations' to various propaganda events. While the party officials considered Deák's self-critique 'dishonest', they attributed Deák's transgression to 'lack of political training'. Deák later acknowledged his 'improper behaviour' and 'accepted that he must be in the forefront [of political campaigns] to set an example'. To appease the factory party leadership, the next day, Deák 'voluntarily decided' to significantly oversubscribe the *békekölcsön* by 2,500 forints, double his basic monthly salary.[3]

Deák's story provides an intriguing example of the Hungarian Stalinist state's persuasion techniques during state-loan campaigns. The story also sheds light on the communist state's approach to citizens' finances in the early-socialist period. It shows that even

[1] I use Stephen Kotkin and Lewis H. Siegelbaum's terminology to distinguish between 'ordinary' and 'high-profile' Stakhanovite workers. Like in the Soviet context, these labels aptly describe the distinguished social status and media presence that selected Stakhanovites were attributed in propaganda in Stalinist Hungary. See Kotkin; Siegelbaum.

[2] The Kossuth-prize (established on 3 March 1948) was one of the most prestigious awards open to Stakhanovite and outstanding workers in communist Hungary. See Sándor Horváth, György Majtényi, and Eszter Zsófia Tóth, 'A Magyarországi Élmunkás És Sztahanovista Kitüntetés', *Turul*, MCMXCVII.1-2. (1997), p. 36.

[3] MNL OL XXVIII-M-3/1d. 'Országos Béketanács tagjanainak javasolt jellemzése MDP BP PB által, 1952. október 27. (1952)'

a high-profile Stakhanovite—who enjoyed relatively better living and working conditions than the general workforce—considered making a financial sacrifice difficult due to the radical depreciation of wages in early 1950s Hungary. Initially, low living standards compelled Deák to refuse the party's request for state-loan subscription. Due to continued persuasion Deák gave in to officials potentially to fend off persecution. Evidently, Deák's opportunity cost of earning a low wage was still higher than being uncovered as an 'enemy of the state' and facing potential incarceration as a result.

During Mátyás Rákosi's Stalinist dictatorship (1948–1953), the Communist Party strove to increase the regime's policy space by appropriating private resources to fund Hungary's industrialisation and militarisation. One of the means to achieve this was through the issuing of state-loans. Each year between 1949 and 1955, party agitators coerced citizens to purchase government debt to the total worth of 8,452 million forints, usually through salary sacrifices in ten-month instalments by payroll deduction plan.[4] In return, the government guaranteed either a coupon rate of five per cent (between 1949 and 1951) or the option for cash prizes drawn on the lottery every six months on top of redeeming bonds at face value after a 5–20 year maturity period (depending on state-loan issue) or through periodic lottery draws.[5] Besides meagre economic benefits in the highly volatile industrialising economy, communist propaganda expected citizens to purchase bonds voluntarily to pledge allegiance to the socialist state-building project. Propaganda aimed to capitalise on citizens' 'socialist patriotism' and welfare impulse to facilitate citizens' altruistic donations to deliver plan targets. Although the regime claimed that state-loans were optional, subscriptions were never voluntary, and

[4] Real receipts from state-loans were slightly less due to councils' and OTP's inability to collect cash payments mainly from peasants in the months following campaigns. On state-loan statistics, see Appendix A.
[5] Prizes were taxed at 20 per cent. From 1952, the option for interest-bearing loans was abolished in favour of lottery bonds. For a more detailed description of the scheme's technical aspects, see MNB, *A Szocialista Államkölcsön* (Budapest: PM Könyv- és Lapkiadó Vállalat), pp. 33–39.

agitators consistently coerced citizens to sacrifice large portions of private income along pre-established quotas.

By early 1953, the Hungarian economy was in crisis, yet state-loan statistics blurred the gravity of the problem. These showed that citizens' share in funding the deficit increased, and the state even achieved overfulfil plan targets year by year.[6] Simultaneously, however, as real wages diminished and shortages of staples became an everyday reality for workers, propaganda began to work to the opposite effect. Workers increasingly measured the economic achievements of communism through levels of enforced material sacrifice. However, the leadership's neglect of public opinion failed to prompt change in the regime's socio-economic policy. Paradoxically, workers' persistent protest against subscribing even exacerbated the magnitude of repression at least until summer 1953. Finally, in June 1953, the Soviet leaders intervened and initiated changes in Hungarian economic policy. After June 1953, the new Nagy government implemented partial reforms to increase households' income to appease the public. Although state-loan quotas were halved, the regime continued to enforce subscriptions in the name of funding the communist welfare state. Meanwhile, as the Nagy government struggled to transition from Stalinism to 'New Course', the regime remained reliant upon private income.[7] Besides state-loan receipts, from 1953 direct taxes levied on state-employed workers also began to play a crucial role in financing the budget deficit to the widespread criticism of the population. By 1956, communist economic and fiscal policy increasingly disillusioned workers with the prospect of socialist prosperity in Hungary.

Unlike war bonds in the U.S., state-loans of the communist world have received less attention in historiography.[8] In terms of early-socialist Hungary, subscription campaigns have

[6] See Appendix A on state-loan statistics.

[7] See Appendix B on direct tax and state-loan receipts in share of budget revenue.

[8] Apart from the Soviet Union and Hungary, until 1951 only Bulgaria (in 1945 and 1951), Albania (in 1949), and Korea (in 1950) issued state-loans in the socialist bloc. MNB, pp. 40–41. On U.S. war bonds, see James J. Kimble, *Mobilizing the Home Front: War Bonds And Domestic Propaganda* (College Station: Texas A&M University Press, 2006) and David K. Thomson, *Bonds of War: How Civil War Financial Agents Sold the World*

been a neglected area of research. Historians classify state-loans as one of the communist state's coercive methods to appropriate private resources to fund Stalinism in Hungary.[9] Despite the weight of state-loan receipts in the budget and in citizens' memories of injustice experienced under the Rákosi years prior to the 1956 revolution, historians have avoided putting state-loans under further academic enquiry. Besides providing further insights into communist fiscal and social policy of the early-socialist period, the chapter argues that state-loans and their accompanying subscription campaigns can help assess the early-socialist regime's propaganda and persuasion techniques, especially in terms of the state's approach towards citizens' finances. The chapter will, therefore, predominantly focus on the means and methods of communist agitation. It will assess the role of propaganda, the state's coercive apparatus, as well as the influence of state coercion on the development of diverse forms of resistance and adaptive strategies within the industrial workforce. Besides supporting the regime to execute its first five-year plan, the chapter argues that state-loans also conditioned the legitimacy crisis of communism in Hungary before the 1956 revolution. Although the Hungarian political leadership, and together with it bond-subscription campaigns, went through at least two critical changes in the 1949–1955 period, the scheme remained enduringly unpopular among the Hungarian public. Instead of indoctrinating workers into a Stalinist *Weltanschauung* or the welfare propaganda of the New Course, by 1956, state-loans worked

on the Union (Chapel Hill: University of North Carolina Press, 2022). On Soviet 'mass subscription bonds', see Kristy Ironside, 'Khrushchev's Cash-and-Goods Lotteries and the Turn Toward Positive Incentives', *The Soviet and Post-Soviet Review*, 41.3 (2014), 296–323.

[9] Primary monographs and textbooks of the period mention state-loans in passing; see János Honvári, *Magyarország Gazdaságtörténete Trianontól a Rendszerváltásig* (Budapest: Aula Kiadó, 2005), pp. 238–39; Gyula Belényi, *Az Állam Szorításában: Az Ipari Munkásság Társadalmi Átalakulása Magyarországon 1945–1965* (Szeged: Belvedere Meridionale, 2009); Ignác Romsics, *Magyarország története a XX. században* (Budapest: Osiris Kiadó, 2010), p. 357; György Gyarmati, *A Rákosi-Korszak - Rendszerváltó Fordulatok Évtizede Magyarországon, 1945-1956* (Budapest: Rubicon-Ház Bt., 2011), pp. 209–10; Valuch, *Everyday Life under Communism and After: Lifestyle and Consumption in Hungary, 1945–2000*, p. 37. Honvári, Belényi, Romsics, and Valuch quote incorrect data about either the number of state-loans issued in Hungary, overall state-loan receipts, or the time of the abolishment of this instrument.

to the opposite effect and increasingly undermined the frail legitimacy of communist power in Hungary.

The chapter is structured as follows. First, I assess how political developments influenced communist experts' perception of exploiting new revenue sources to fund industrialisation in postwar Hungary. Second, I assess the ways in which the communist regime used propaganda to mobilise workers towards funding the first five-year plan in the 1950–1952 period. The section assesses the means and methods of agitation during *békekölcsön* (peace-loan) campaigns as well as changes in public opinion in the period. Crucially, the section assesses the various strategies workers used to evade state-loans and how these in turn influenced the regime's agitation strategies adapted during persuasion. Third, I show the ways in which reforms initiated by the newly assigned Nagy government influenced both state-loan propaganda and public opinion about communist economic policy.

2. Postwar Economic Policy and the First *Tervkölcsön* Campaign (1946–1949)

2.1. Dismantling Democracy and The First Three-year (Reconstruction) Plan

By late August 1946, economic experts agreed that the currency reform had mainly been successful and relative price stability had been regained. The Communist Party began preparing the party's economic reconstruction plan through the stable money.[10] On 22 December 1946, the plan was publicised in the news. The plan proposed to increase national income by 17 per cent by 1950 relative to 1938.[11] MKP aimed to achieve this by putting 10 per cent of GNP towards capital investments. Reparation and other international commitments

[10] SZdP also compiled a plan. The critical difference between SZdP and MKP's plans was in the funding source and the question of banks. SZdP's plan envisaged the use of external sources and no nationalisation of banks, while MKP proposed to rely on domestic sources alone and to nationalise banks. For a more inclusive comparison, see André Mommen, 'Káldor versus Varga – The Hungarian Three-Year Economic Reconstruction Plan of 1947', *Acta Oeconomica*, 67.1 (2017), 157–73.

[11] Iván Berend T., *A Szocialista Gazdaság Fejlődése Magyarországon, 1945-1968*, p. 65.

were also estimated to take up a hefty sum of national income, around 6–7 per cent of expenditure, each year between 1947 and 1949. Despite the mass privation of citizens during the hyperinflation, spending on consumption was estimated below 1938 levels.[12] Meanwhile, the plan ambitiously forecasted an 80 per cent increase in workers' living standards by the end of the plan period.[13] Communist propaganda emphasised that the plan would simultaneously increase national income and citizens' living standards. It promised to attain this not through the implementation of socialism, but rather 'by bringing the abuse of scrounging big capital to an end'.[14] This message predicted that communist planners wished to fund investments predominantly from domestic sources alone. Moreover, from late 1946 onwards, communist propaganda ardently emphasised that 'reactionaries' posed a threat to any increases in living standards.

To increase the credibility of MKP's welfare propaganda, from late 1946, the communists increasingly attacked MKP's primary opponent, the centre-right-conservative FKgP. The communists argued that the 'right wing' of FKgP had been a potential threat to prosperity. Using the *Magyar Közösség* (Hungarian Community) conspiracy case as a pretext for political purges within the coalition, in February 1947, the communists initiated the deportation of Béla Kovács, FKgP's chief secretary, to the Soviet Union. In late May, the communists blackmailed the FKgP's leader and prime minister, Ferenc Nagy, into resigning in favour of the communist puppet in FKgP, Lajos Dinnyés.[15] Crushing FKgP soon began to yield results for the Communist Party. In June 1947, the coalition partners adopted MKP's reconstruction plan as a government programme. A few months later, in the rigged parliamentary elections of 31 August 1947, the communists gained the majority, 22,25 per

[12] Pető and Szakács, p. 121.
[13] MKP, *3 Éves Terv: A Magyar Kommunista Párt Javaslata* (Budapest: Szikra, 1947), p. 12.
[14] 'Magyarország hároméves gazdasági tervének alapjai', *Szabad Nép*, 22 December 1946, p. 2.
[15] For a comprehensive history of MKP's political strategy in 1947–8, see Palasik, *Chess Game for Democracy: Hungary between East and West, 1944-1947*, pp. 101–35.

cent, of the vote.[16] Even through electoral fraud, the communists failed to secure absolute majority in parliament. The communists preserved the coalition with FKgP, SZdP, and NPP to sustain the democratic façade. In the following months, MKP continued dismantling the party's remaining opposition outside government.

The communist plan proposed to fund reconstruction through domestic sources alone, primarily by increasing the tax burden of the bourgeoisie. The programme planned to raise 1,620 million forints revenue from special taxes alone. MKP's slogan of 'Make the rich pay!' conveyed this policy. Moreover, communist experts envisaged issuing *tervkölcsön* bonds to the value of 200, 300, and 400 million forints in the fiscal years of 1947–1948, 1948–1949, and 1949–1950, respectively, to involve private capital in funding the budget.[17] *Tervkölcsön* bonds, however, never materialised at the time. In September 1947, NPP's economic expert, Ferenc Farkas, argued that reducing households' income '[was not] such action which could [have] attract[ed] particular popularity'.[18] In a bid to public support against the façade of democratic state-building in 1947–1948, it seemed that communists feared that a decrease in households' income would plague the legitimacy of centralised planning among workers. Realistically, however, as the communist economic expert Béla Sulyok, in October 1949 acknowledged, the Communist Party gave up on issuing state-loans in 1947 to prioritise the nationalisation of the industry to assist the implementation of centralised planning which the party had carried out with great success during the period. According to Sulyok, nationalisations alone provided sufficient funds to finance the plan.[19] This might have been the case as not even 30 per cent of special taxes flowed into the budget yet the plan was completed

[16] These elections were later referred to as *kékcédulás választások* (blue ballot elections) after the colour of voting slips MKP used to fix the elections. For more, see Károly Szerencsés, *A Kékcédulás Hadművelet* (Budapest: IKVA Kiadó, 1992).
[17] MKP, pp. 104–5.
[18] Ferenc Farkas, 'Bérszínvonal, Árszínvonal, Pénzgazdálkodás', *Közgazdaság*, 28 September 1947, p. 1.
[19] Béla Sulyok, 'A Magyar Népgazdaság Első Tervkölcsöne: Az Ötéves Tervkölcsön', *Társadalmi Szemle*, V.10 (1949), 688–96 (pp. 689–90).

seven months before the official deadline.[20] The communists evaluated the plan as an overall success.

Having secured a public mandate in the elections of August 1947, in 1948, the communists increased bids to appropriate private capital. By 1947, the nationalisation of mines and the country's four largest industrial enterprises had already been concluded in January and December 1946, respectively. In January 1948, MKP's nationalisation policy resumed by seizing ownership of private banks.[21] In March 1948, the government appropriated enterprises employing more than 100 workers. The communists' large-scale nationalisation policy was concluded in December 1949 when the government decreed the seizure of enterprises employing more than ten workers.[22] In the meantime, between 1947 and 1949, the restructuring of Hungary's institutional setup had also been implemented to help introduce centralised planning along the Soviet line.[23]

While in 1948, real wages in state industry reached 90 per cent of 1938 levels, in 1949, real wages fell to 80 per cent, and from then onwards failed to improve significantly until the late 1950s.[24] This was about 50 per cent short of MKP's pledge made in late 1946.[25] Nonetheless, workers experienced that their living standards gradually increased relative to August 1946 during most of the plan period, and they lived better as a result.[26]

---

[20] Iván Pető, 'Az Első Hároméves Terv Beruházásai', *Történelmi Szemle*, XV.1-2. (1972), 213–24 (p. 216).

[21] On the adoption of the Soviet model in banking, see Kemény, pp. 57–60.

[22] Honvári, *Magyarország Gazdaságtörténete Trianontól a Rendszerváltásig*, pp. 147–56.

[23] Pető and Szakács, pp. 104–20.

[24] The real income of private peasants fared similarly to workers, ranging from 80 to 90 per cent in the plan period. *Kolkhoz* and *sovkhoz* peasants' real income ranged between 75–80 and 65–75 per cent, respectively, during the same period. See György Gyarmati, 'Politika És Társadalom, 1945–1989', in *Magyarország a XX. Században*, ed. by István Kollega Tarsoly (Szekszárd: Babits Kiadó, 1996), pp. 187–88.

[25] While in January 1947, the communist László Orbán estimated that workers' living standards would exceed 1938 levels by nine per cent, Ernő Gerő, in June 1947, proposed an 80 per cent increase in living standards relative to 1947 by the end of the plan period. Orbán estimated that workers' real wages in 1947 worth half of their 1938 value so the communists, based on Gerő's estimate, envisaged an approximately 30 per cent increase in workers' living standards relative to 1938 by the time the plan would come to an end. See László Orbán, 'A Hároméves Terv', *Társadalmi Szemle*, II.1 (1947), 1–7; Ernő Gerő, 'A Hároméves Terv Pénzügyi Problémái', *Gazdaság*, II.11 (1947), 465–69.

[26] Gyarmati, 'A Társadalom Közérzete a Fordulat Évében', pp. 130–31.

While during the coalition years, the Communist Party denied that 'socialism' had been the party's short-term goal, from early 1947, deteriorating East-West relations increasingly locked Hungary into the Soviet Union's orbit, making MKP increasingly determined to give up the party's 'nationalist' policy in implementing communism and adopt the Soviet line instead.[27] By 1948, Cold War developments increasingly made communist policy-makers accept that investments in the industry had to be pursued alongside the country's militarisation in the face of 'Western aggression' established in several Cominform resolutions in 1947–1949.[28] This policy stemmed from the Soviet Union's military strategic interest in preparing the people's democracies for a new war between the two superpowers.[29] Simultaneously, as the value of citizens' democratic backing began to carry less weight after the merger of MKP and SZdP in June 1948, the communist regime began emulating Soviet mobilisation techniques to increase the regime's policy space and achieve the overfulfilment of the plan.[30] These included the promotion of thriftiness, personal sacrifices, and shock work campaigns in the wake of propaganda about general vigilance against domestic and foreign 'enemies'.[31]

The regime increasingly put fiscal policy in the service of the plan. Like during the preparations of the reconstruction plan in 1946–1947, communist policy makers conceived that each fiscal instrument had a different political and socio-economic purpose. On the one hand, experts believed direct taxation was primarily a coercive mechanism to help repel the private sector. On the other hand, experts held that state-loans were to help gain predominantly the

[27] On the evolution of MKP's economic policy in 1947–1950, see Magdolna Baráth, 'A Hároméves Tervtől Az Ötéves Tervig. Irányváltás Az MKP Gazdaságpolitikájában', in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 301–17. On changing international relations, see Borhi.

[28] On the Cominform and its impact on Eastern European foreign policy from the Hungarian vantage point, see Gábor Székely, 'A Kominform, 1947-1949', in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 62–74.

[29] Pál Germuska and Miklós Horváth, *A Magyar Honvédelmi Igazgatás Története, 1945-1990* (Budapest: Magyar Nemzeti Levéltár, 2020), pp. 162–67.

[30] On the party fusion, see Zsuzsanna Kádár, 'Az SZDP Beolvasztása', in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 271–80.

[31] Pető and Szakács, p. 153.

industrial workforce's consent to fund Hungary's industrialisation through decreased consumption. While in the former case, owing to communist social policy, the private sector's consent was a negligible factor, in the case of state-loans, the party invested a large amount of resources into persuasion and propaganda to gain workers' cooperation with state policy.

2.2. Devising Propaganda: 'peace' and 'prosperity'

On 24 September 1949, László Rajk, the former communist minister of interior (1946–1948) and minister of foreign affairs (1948–1949), was convicted in a show trial amid great media publicity. The Muscovite leadership of the Communist Party accused Rajk of conspiracy against Hungary, spying for the West, and supporting imperialism in the wake of the Yugoslav–Soviet split.[32] Rajk received a death penalty and was labelled a 'Titoist spy' along with other victims.[33] Hungarian Muscovites and Soviet advisors framed the trial as a foreign plot against Hungary's 'democratic order' to demonstrate that the country was under imminent foreign threat. The Hungarian communist leadership not only attempted to raise fear within the Communist Party, but also to justify the existence of proletarian dictatorship in Hungary to the public at the onset of Hungary's Soviet-type industrialisation.[34] In September 1949, the trial became the centrepiece of communist propaganda.

On 29 September 1949, only five days after Rajk's conviction, *Szabad Nép* published the party's call to the public to help fund Hungary's first five-year plan (1950–1954) through

[32] On the Communist Party's view of the trial, see Mátyás Rákosi, 'Tito Ügynökségének Szétzúzása Magyarországon', *Állam És Közigazgatás*, I.5–6 (1949), 273–78. On the Tito-Stalin split, see Leonid Gibianskii, 'The Soviet-Yugoslav Split', in *Revolution and Resistance in Eastern Europe: Challenges to Communist Rule*, ed. by Kevin McDermott and Matthew Stibbe (Oxford: Berg, 2006), pp. 17–36. and Jeronim Perović, 'The Tito-Stalin Split: A Reassessment in Light of New Evidence', *Journal of Cold War Studies*, 9.2 (2007), 32–63.

[33] For a more detailed explanation of the trial, see Tibor Hajdu, 'A Rajk-per Háttere És Fázisai', *Társadalmi Szemle*, 47.11 (1992), 17–36; George H. Hodos, *Show Trials: Stalinist Purges in Eastern Europe, 1948-1954* (Praeger, 1987); Béla Szász, *Volunteers for the Gallows: Anatomy of a Show-Trial,* (New York: Norton, 1972).

[34] Hajdu, p. 18.

tervkölcsön (plan-loan) donations. In a bid to mobilise workers, propaganda referenced the Rajk trial. It argued that 'the imperialists […] wanted to liquidate the achievements of the People's Democracy', so it called society to prevent the resurrection of the previous capitalist order and 'defend peace' through purchases of *tervkölcsön* bonds.[35] Propaganda argued that implementing the first five-year plan would help protect Hungary from external enemies and simultaneously deliver prosperity to the masses. Propaganda considered salary sacrifices imperative to reach these ends.

MKP's propaganda instructed agitators to 'increase hatred of imperialism and link it with the militant defence of peace'.[36] Propaganda vigorously used the Rajk trial to demonstrate that postwar prosperity had been under constant threat by both foreign and domestic enemies. Rajk and the other victims signified the danger faced by Hungary's democratic order and postwar achievements. Propaganda set to 'deepen hatred for the Rajk-gang and their commissioner, the imperialists'.[37] The *tervkölcsön* propaganda also set out to educate people about the Communist Party's perspective of the postwar order. It portrayed the preceding coalition years as a 'war' against 'the enemy': 'the liquidation of both the conspirator FKgP, and the workers' betraying right-wing SZdP, the ousting of the clerical reaction, and the uncovering of the domestic Trotskyist, imperialist bandits'. The Hungarian communists' origin tale of power called the economic stabilisation of 1945–1946 and postwar reconstruction a 'class struggle'.[38] To maximise citizenry contributions to the budget, communists increasingly appealed to people's nationalist sentiments.[39] However, unlike the Hungarian voting majority's views manifested in the November 1945 and August 1947 parliamentary elections, the

[35] 'A Magyar Népköztársaság Kormányának Felhívása az Ötéves Tervkölcsön Jegyzésére', *Szabad Nép*, 29 September 1949. p. 1.
[36] MNL OL XXVIII-M-16. 334. ő. e. 'Körlevél a Megyei Bizottságokhoz a tervkölcsönjegyzés kampány politikai szempontjairól és szervezési teendőiről' p. 352.
[37] BFL XXXV.102.b/2d. 45. ő. e. 'A tervkölcsönnel kapcsolatos feladatok ütemterve, MDP VII. kerület (1949)'
[38] BFL XXXV.95.b/85d. 298. ő. e. 'Javaslat a terv-kölcsön politikai előkészítésére (1949)' p. 3.
[39] Hungarian communist ideologists consciously built on Hungarian populist and nationalist traditions in propaganda in the postwar period to gain political legitimacy. See Mevius.

Communist Party had a radically new conception of the country's national interest increasingly shaped by Soviet foreign policy.

As a way to distinguish between the communist and previous governments' bonds in propaganda, communists argued that previous state-loans (such as the *erdélyi kölcsön* of 1941 or the *búzakölcsön* of 1944) had never paid off and that preceding regimes used revenue generated through bonds to support fascism and Hungary's war efforts.[40] Contrastingly, propaganda promised proceeds from the *tervkölcsön* to be put towards peaceful state building and increasing social welfare. Furthermore, it argued that 'the nation would give itself for the first time in history' through making sacrifices through *tervkölcsön* bonds.[41] Like during the economic stabilisation of 1945–1946, communist experts argued that Hungary once again had to rely on its economic base for further economic development.[42] State propaganda emphasised that it was individuals' shared interest and 'patriotic obligation' to make personal sacrifices to lay the groundwork of socialism, that is, the forced industrialisation of the country, which the first five-year plan represented.[43]

2.3. Implementing the *Tervkölcsön* Campaign

On 29 September 1949, the government issued the *tervkölcsön* bond to raise 500 million forints. However, the finance minister's proposal elucidated that the regime budgeted for the over-subscription of the target 'preferably' by 50 per cent. The proposal implied that subscription quotas had been designed to raise 750 million forints revenue to the budget.[44] The

[40] MNB, pp. 7–11.
[41] 'Tervkölcsönnel a szocializmusért!', *Szabad Nép*, 9 October 1949. p. 1.; BFL XXXV.95.b/85d. 298. ő. e. 'Az ötéves tervkölcsönjegyzésről /Szamosi elvtárs beszámolója szeptember 28-án/' p. 45.
[42] Béla Sulyok, 'A Magyar Népgazdaság Első Tervkölcsöne: Az Ötéves Tervkölcsön', *Társadalmi Szemle*, V.10 (1949), p. 689.
[43] BFL XXXV.95.b/85d. 298. ő. e. 'Az ötéves tervkölcsönjegyzésről /Szamosi elvtárs beszámolója szeptember 28-án/' pp. 44-49.
[44] MNL OL XXIX-L-3-e/11d-89. 'Minisztertanácsi előterjesztés az "ötéves tervkölcsön" kibocsátásáról (1949)'

Communist Party expected the campaign to be complicated. As one of the propaganda communiques asserted, *népnevelők* (people's educators) faced a challenging task because the campaign targeted individuals' private finances. Therefore, the communique instructed 'persuasion' to be 'more powerful [and] more offensive'.[45] Although the regime insisted that subscriptions to the *tervkölcsön* were voluntary, instructions circulating among party agitators outlined that workers were meant to comply with pre-established quotas.[46] Two days into the campaign, subscription fulfilment reached 400 million forints. By the third day, the 500 million forint target was accomplished by industrial workers alone. Agitators reported only sporadic resistance to subscriptions in factories which they predominantly blamed on 'right-wing Social Democrats'.[47]

After the nominal target had been fulfilled, the campaign turned to the peasantry and the private sector to accomplish oversubscription. Agitators generally found the least support in villages towards the *tervkölcsön*. Not only wealthy peasants ('kulaks'), artisans, and merchants but middle-income and poor peasants were also summoned to village halls where local notaries and party secretaries threatened them on an individual basis.[48] Local authorities threatened peasants with labelling them 'enemies' if they failed to comply with set quotas. At the village of Kartal, agitators declared that 'those who do not subscribe are our enemy and terror will be applied against them'.[49] In the village of Vajta, one communist agitator told peasants that 'they can either hang themselves or they will be deported [*internálva lesznek*],

[45] BFL XXXV.95.b/85d. 298. ő. e. 'Javaslat a tervkölcsön politikai előkészítésére (1949)' p. 2.

[46] In 1949, workers, for instance, were required to subscribe the minimum two weeks' wages with avarage monthly income up to 700 forints, three weeks' up to 1,200 forints, four weeks' over 1,200 forints, and 5,000 forints over 3,500 forints. See MNL OL XXIX-L-3-e/11d-89. 'Feljegyzés Mező elvtárssal 1949. szeptember 22-én folytatott megbeszélésről (1949)'

[47] On Hungarian communists' propaganda on 'right-wing Social Democrats', see Mark Pittaway, 'Workers in Hungary', in *Power and the People: A Social History of Central European Politics, 1945-56*, ed. by Eleonore C. M. Breuning, Jill Lewis, and Gareth Pritchard (Manchester University Press, 2005), pp. 57–75.

[48] BFL XXXV.95.b/85d. 298. ő. e. 'Jelentés a falusi tervkölcsön jegyzéssel kapcsolatos hangulatról, a falujárók által beküldött jelentések alapján' p. 67-71.

[49] MNL PML XXXV.1.b. 2/52. ő. e. 'Jelentés a tervkölcsönjegyzés munkájáról' p. 42.

but they must subscribe'.[50] Threats and violence committed during the campaign's full duration in the countryside made people feel that the *tervkölcsön* was a 'compulsory tax levied on the population' or a 'war-bond' rather than a voluntary contribution. As one party member asserted, '[t]he peasantry does not subscribe due to their conviction as the industrial workforce did; rather because they are afraid of potential consequences'.[51] Peasants cited economic hardships and the regime's anti-clerical policy in their protest.[52] In return, agitators labelled them as 'clerical reaction' advocates, which consequently gave ground for local functionaries to reckon with the party's alleged opposition in villages. Moreover, agitators often ridiculed peasants and 'uncovered' them publicly as 'enemies' in order to break the unanticipated solidarity which the campaign had wrought among 'kulaks, middle-income peasants and often the working peasantry'.[53] Party reports generally agreed that to have peasants subscribe at all, agitators had to apply various forms of *presszió* (coercion) to reach any results.[54]

While citizens' resistance to *tervkölcsön* seemed substantial in villages, the relatively low level of subscription quotas and, consequently the short duration of the campaign prevented extensive and collective protests from developing on the shop floor. While sporadic purges took place within factories, the use of threats and physical violence was most pervasive in the countryside during the *tervkölcsön* campaign. The campaign foreshadowed the communist regime's future approach to socio-economy policy implementation of setting relatively high planning targets and neglecting public opinion towards the coercive fulfilment of planning directives.

---

[50] BFL XXXV.95.b/85d. 298. ő. e. 'Jelentés a falusi tervkölcsön jegyzéssel kapcsolatos hangulatról, a falujárók által beküldött jelentések alapján' p. 69.

[51] MNL PML XXXV.1.b. 2/52. ő. e. 'Jelentés a tervkölcsönjegyzés munkájáról' p. 42.

[52] The communist regime's anti-clerical agenda aimed to eliminate the power of religious organisations, especially the Catholic Church's foothold, in Hungarian villages. The centrepiece of propaganda became the show trial and eventual life imprisonment of Cardinal József Mindszenty on 8 February 1949. For a concise account of the Mindszenty affair, see Margit Balogh, 'A Mindszenty-Per', *Korunk*, 3.7 (2012), 3–17. For a comprehensive account, see Jenő Gergely, *A Mindszenty-Per* (Budapest: Kossuth Kiadó, 2001).

[53] MNL PML XXXV.1.b. 2/52. ő. e. 'Jelentés a tervkölcsönjegyzés munkájáról' p. 41.

[54] MNL PML XXXV.1.b. 2/52. ő. e. 'Jelentés a tervkölcsönjegyzés munkájáról' p. 42.

While the communists used the Rajk trial as a prelude to the opening of the *tervkölcsön* campaign, the execution of Rajk and other victims on 15 October 1949 served as a closure to it. The leading article of the 16 October 1949 issue of *Szabad Nép* cheerfully celebrated: 'The People Have Voted!' and the 'Hungarian people have managed to over-accomplish' the party's bond-subscription target by more than 50 per cent, netting over 752 million forints.[55] Meanwhile, the article reporting about the execution of Rajk was confined to a tiny coverage at the bottom of the paper's third page.[56]

3. Funding the First Five-year Plan: *békekölcsön* campaigns and the material origins of public dissent (1950–1952)

3.1. The First Five-year Plan, the Introduction of Rationing, and the Price Reform of 1951

On 2 January 1950, the first five-year plan was launched, marking the beginning of Soviet-type industrialisation in Hungary.[57] While the plan prioritised the development of heavy industry and the militarisation of Hungary, it generally neglected light industry and the agricultural sector. After the outbreak of the Korean War in June 1950, the regime declared national defence the plan's uppermost priority.[58] In February 1951, at the Second Congress of the Communist Party, the regime announced the increase of the April 1949 plan's total investments of 35,000 million forints to 85,000 million forints. The share of investments in industry totalled 41,000 million forints, out of which 37,500 forints were planned on heavy industry alone.[59]

---

[55] 'Szavazott a nép!', *Szabad Nép*, 16 October 1949. p. 1.
[56] 'A NOT helybenhagyta a Népbíróság ítéletét a Rajk László és társai elleni bűnügyhen', *Szabad Nép*, 16 October 1949. p. 3.
[57] For a comprehensive account of the first-year plan and Stalinist economic policy, see Pető and Szakács, pp. 151–238. On investments of the first five-year plan, see Honvári, *Magyarország Gazdaságtörténete Trianontól a Rendszerváltásig*, pp. 207–24.
[58] Pál Germuska, 'Szocialista Csoda? Magyar Iparfejlesztési Politika És Gazdasági Növekedés, 1950-1975', *Századok*, 146.1 (2012), 47–78.
[59] Pető and Szakács, p. 156.

Meanwhile, between 1949 and 1953, workers' real wages (except for a slight increase in 1950) diminished each year. By 1952, workers' real wages were worth 18 per cent less than in 1949. Even with the increased employment of female workers in the industry, workers' real per capita income failed to reach their 1949 standard under the Rákosi years.[60] Realistically, the value of wages had fared even worse when accounting for *burkolt árdrágítás* (concealed price increases), that is, the regime's policy of lowering the quality of goods but selling them at the same prices as before. KSH estimated that in the 1949–1953 period, concealed price increases contributed an extra 8–10 per cent to the 72 per cent increase in the consumer price index in 1949–1955.[61] In short, until 1953, more workers laboured in exchange for significantly less relative to 1938 and 1949.

Beginning in summer 1950, acute shortages became an everyday experience for workers.[62] The regime, meanwhile, refused to take responsibility and blamed citizens' 'increased purchasing power' and 'enemy activities' on shortages.[63] In an attempt to control the distribution of scarce staples and manage price increases, in early 1951, the regime reintroduced rationing on sugar, flour, fat, soap, meat, and bread. Beginning on 2 December 1951, rationing was gradually phased out as part of the regime's comprehensive price reform package. The price reform, however, made retail prices surge by 40 per cent while wages only increased by a scant 20 per cent on average.[64]

Like during the hyperinflation of 1945–1946, the communist regime attempted to channel popular discontent away from the state towards external enemies through propaganda

[60] KSH, *Magyar Statisztikai Zsebkönyv 1958*, p. 176.
[61] KSH, *Áralakulás Magyarországon 1938-Ban És 1949-1955-Ben* (Budapest: Központi Statisztikai Hivatal, 1957), p. 70.
[62] The communist leadership began discussing food provisioning issues in spring-early summer 1950. For instance, see MNL OL 276. f. 54. cs. 112. ő. e. 'Jelentés és javaslatok egyes fontos élelmezési cikkekkel kapcsolatban (1950. július 19.)' pp. 32-35.
[63] MNL OL 276. f. 54. cs. 413. ő. e. 'Jelentés és javaslatok a közellátással kapcsolatban (1950. szeptember 14.)' p. 38.
[64] Barát, p. 90.

to maintain labour discipline. Against the backdrop of diminishing wages, from 1950, communist propaganda strove to mobilise citizens to raise economic output and plan over-fulfilment. Between 1950 and 1953, 'peace' became the word of the day for Hungarian communists to mobilise people against 'Western imperialism', promote Soviet interest, and, crucially, coerce people to overfulfill the first five-year plan.

In March 1950, the communists launched a propaganda campaign to make people sign the Soviet foreign policy organ, the World Peace Council's initiation of promoting nuclear disarmament outlined in the Stockholm Appeal.[65] This marked the beginning of a series of campaigns in which 'peace' had been given a prominent role. By capitalising on society's desire for peace and prosperity in the postwar period, Hungarian communists sought people to develop a strong attachment to the Soviet Union.[66] In the early 1950s, propaganda commonly referred to the Soviet Union as the leader of the 'peace camp' of Eastern Bloc countries.[67] The Communist Party's policy, however, was far from pacifism or antimilitarism; instead, it promoted the adoption of 'militancy' for the 'protection of peace'.[68]

It was in August 1950, during the *koreai hét* (Korean week) labour competition campaign, when propaganda established a direct link between citizens' material sacrifices and

[65] For an overview of the Soviet Union's international 'peace' propaganda, see Günter Wernicke, 'The Communist-Led World Peace Council and the Western Peace Movements: The Fetters of Bipolarity and Some Attempts to Break Them in the Fifties and Early Sixties', *Peace & Change*, 23.3 (1998), 265–311; Geoffrey Roberts, 'Averting Armageddon: The Communist Peace Movement, 1948–1956', in *The Oxford Handbook of the History of Communism*, ed. by S. A. Smith (Oxford: Oxford University Press, 2014), pp. 322–38.
[66] Mátyás Rákosi, 'Békénk Védelméről, Népi Demokráciánk És Pártunk További Erősödéséről', *Társadalmi Szemle*, V.11 (1950), 837–56.
[67] Oszkár Betlen, 'A Béke Ügye', *Társadalmi Szemle*, V.5 (1950), 341–47.
[68] In August 1950, for instance, one reader of *Nők Lapja* (Women's Magazine) submitted a poem on the subject of 'peace' to the magazine for publication. However, the editors refused to publish the poem 'not only because it fell short of standard, but also because it [had] a strong pacifist tone': 'We want peace, but not through all costs! We do not pray for peace to the "great lords" but protect it against all enemies.' See 'Varga Judit (Budapest) olvasói levele', *Nők Lapja*, 31 August 1950, p. 1. See also, Mátyás Rákosi, 'Magyarország a Békefront Erős Bástyája', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 207–14. (p. 211).

the 'protection of world peace' to raise workers' productivity.[69] The campaign pinned down that it had been insufficient to internalise negative sentiments about Western powers anymore; instead, personal commitments to 'peace' had to be manifested in citizens' physical and material contributions to the building of communism, which—according to communist propaganda—represented the only solution against imperialism and to any increase in welfare.[70]

On 28 September 1950, the Communist Party initiated the first *békekölcsön* (peace-loan) campaign in this political context to raise 750 million forints for the budget.[71] Like in autumn 1949, the regime estimated that individuals would 'voluntarily' oversubscribe the bond. Realistically, however, the regime doubled the fiscal burden of individuals while workers and peasants' disposable income only marginally increased.[72] Although the use of coercion (euphemistically called *adminisztratív intézkedések* [administrative measures]) had been already pervasive during the 1949 *tervkölcsön* campaign, from 1950, coercing citizens to overfulfill the loan became the norm among agitators nationwide.

3.2. Workers' Dissent: wages, prices, and the currency in workers' perception of everyday economic life

On 26 February 1950, Mátyás Rákosi, in a speech at the *Magyar Sztahanovisták I. Országos Tanácskozása* (First Conference of Hungarian Stakhanovites), claimed that 'workers' personal economic interest, the increase in workers' living standards and income, coincide with the public interest of building socialism'.[73] On the contrary state-loan campaigns revealed that

[69] The *koreai hét* campaign was the continuation of a series of nationwide 'shock work' campaigns held in Hungary since 15 March 1948. See Dezső Csépányi, 'A Hároméves Terv', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó (Budapest: Akadémiai Kiadó, 1955), pp. 470–71.
[70] 'Előre a Koreai Hét győzelméért', *Szabad Nép*, 8 August 1950, p. 1.
[71] See Appendix A on state-loan statistics.
[72] Pető and Szakács, pp. 216–17.
[73] Mátyás Rákosi, 'A Sztahanovista Mozgalom Az Egész, Szocializmust Építő Dolgozó Nép Mozgalma', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 300–323. (p. 305).

workers' personal interests mostly clashed with the state's collectivist vision. With the nationwide adoption of Stalinist mobilisation practices in Hungary in 1948, the paradoxical relation between the state's collectivist ideology and the individualisation of production and remuneration began to characterise shop floor resistance to state policy from as early as 1950.[74] Annual bond-subscription campaigns came to signify this tension between ideology and practice.

In the early 1950s, workers could hardly believe that they lived better under communism than before. Workers' protests had been generally conditioned by the degree of dissatisfaction with low living standards. This was increasingly measured through depreciating wages, price increases, and acute shortages of staples. Workers' poor material condition, paired with the regime's repetitive propaganda about 'Western aggression' in Korea, evoked gloomy feelings. These made workers fear that *békekölcsön* in reality foreshadowed a war against the West.[75] At the *Forgácsoló és Szerszámgépgyár* (Cutting and Machine Tool Factory), for instance, workers feared that 'they will earn less and their factory will be turned into a defence plant'.[76] At the *Landler Jenő Járműjavító* (Jenő Landler Vehicle Repair Shop), people rumoured that '[the regime] needed people's subscriptions so it could prepare Hungary for a new war'.[77]

Workers' recent memory and experience of financial catastrophe made them question communist propaganda. The currency's depreciation was a common theme in workers' complaints to agitators. The diminishing value of the forint made people perceptive to worsening quality of life and compelled workers question agitators' propaganda about the benefits of state-loan contributions. For instance, workers at *Fővárosi Villamosvasút*

[74] Mark Pittaway, 'Retreat from Collective Protest: Household, Gender, Work and Popular Opposition in Stalinist Hungary', in *Rebellious Families: Household Strategies and Collective Action in the 19th and 20th Centuries*, ed. by Jan Kok (New York: Berghahn Books, 2002), p. 206.
[75] MNL PML XXXV.1.b. 2/55. ő. e. 'Politikai előkészületek a Békekölcsön agitációra', p. 12.
[76] BFL XXXV.95.b/86d. 302. ő. e. 'Feljegyzés a Békekölcsön-jegyzés előkészítéséről (1951)', p. 57.
[77] BFL XXXV.95.b/86d. 302. ő. e. 'Feljegyzés a Békekölcsön-jegyzés előkészítéséről (1951)', p. 57.

(Metropolitan Tramway), compared 'free market prices with real wages' to make a case against subscribing to bonds. Workers deemed that economic benefits gained from state-loans were meaningless. In the XIX District of Budapest, people complained that the 'value of the currency [was] constantly falling thus even if they would receive their contribution back in the future, it would not have any value by then'.[78] People referenced the rising prices of staples, especially fat, which rose more than five-fold from 20 forints in 1950 to 100–120 forints by 1951. Workers claimed that the 'currency deteriorated very rapidly' because the 100-forint note had been the largest face-value at the time, however, the price of one kilo fat costed significantly more: 'It is like during the [hyperinflation of 1945–1946], one has to buy everything at the beginning of the month because by the end of the month everything will be more expensive.'[79]

In 1951, when the regime reintroduced the rationing of staples, the Communist Party Organisation of the XIV District in Budapest declared that they had not experienced 'such a strong and robust work of the enemy during the previous two subscriptions campaigns' as in 1951.[80] High free market prices of staples and, especially, the shortages of fat, meat, and lard in state shops were central themes within citizens' protests against subscribing. In addition, workers cited public provisioning issues and the high prices of clothes. They claimed these issues made everyday life unbearable. Workers protested that they 'starve under the people's democracy' and not even 'putting them behind bars' would change their minds.[81] At one plant in Budakalász, just to the north of Budapest, workers claimed that 'they will not subscribe as they have not seen meat for months on the shelves'.[82] The high prices of staples were the most pressing issue for people undertaking work in high-calorie requisite jobs. In September 1951,

[78] BFL XXXV.95.b/86d. 302. ő. e. 'Feljegyzés a Békekölcsön-jegyzés előkészítéséről (1951)', p. 57.
[79] BFL XXXV.95.c/19d. 125. ő. e. 'Feljegyzés, MDP II. kerületi szervezete' p. 77.
[80] BFL XXXV.95.b/87d. 304. ő. e. 'XIV. kerület jelentése (1951)', p. 68.
[81] BFL XXXV.95.b/87d. 305. ő. e. 'Láng gyár Békekölcsön-jegyzés munkájáról 1952. szeptember 27.' p. 73.
[82] MNL PML XXXV.1.b. 2/56. ő. e. 'Jelentés a Békekölcsön-jegyzés első napjáról, szentendrei járás (1951)', p. 35.

shop committee secretaries from the construction and mining industries raised concerns about continuous fat, meat, and lard shortages. One party secretary even linked workers' compliance with state policy to workers' personal satisfaction with material circumstances: '[the Communist Party] should give half a kilo fat to each worker and subscriptions would go smoothly'.[83] In 1951, even agitators struggled to justify high prices to workers. Even agitators undersubscribed their quota in protest to poor living conditions.[84] One agitator at *Dohánygyár* (Tobacco Factory), when asked about how he would respond to questions about shortages to workers, rebuffed: 'How should I answer when even my children do not have fat at home?!'[85] One agitator even told his colleagues that he had responded to complaints about the high price of fat according to the standard formula, but 'amongst ourselves, we can tell, that it is not true and the fat is not so expensive because of the free market, as even collectives sell fat on the same price'.[86]

The regime's propaganda, meanwhile, insisted that there had been no issues with production; instead, enemy activities of hoarding and forestalling caused shortages. The party continued to treat poor living standards as taboo and labelled material concerns as 'voices of the enemy'.

3.3. Anatomy of Workers' Resistance

Like in other people's democracies, the divide between the older workforce and newly migrated workers from villages to industrial districts played a decisive role in factory relations

[83] BFL XXXV.95.b/90d. 322. ő. e. 322. 'Jelentés a II. Békekölcsön-jegyzés előkészületeiről, a dolgozók hangulatáról és a sorsolási tanácsadók munkájáról (1951)', p. 21.
[84] BFL XXXV.95.c/18d. 119. ő. e. 'Összefoglalójelentés a Békekölcsön-jegyzés első két napjának munkájáról 1950. szeptember 30.' p. 69.
[85] BFL XXXV.95.c/19d. 122. ő. e. 'Feljegyzés a Békekölcsön-jegyzés előkészítő munkájáról (1951)', p. 87.
[86] BFL XXXV.95.c/19d. 125. ő. e. 'Jelentés a békekölcsönjegyzés előkészítéséről, XIV District (1951)' p. 149.

in postwar Hungary.[87] Workers' social origin, which often conditioned one's income level, influenced strategies adapted to resist state power during subscription campaigns.

Agitators complained that the skilled workforce usually refused to concede to party propaganda in one stroke. Much to their amusement, however, agitators found unskilled workers and apprentices with low wages relatively more compliant with party requests.[88] Simultaneously, agitators resented that low-income workers often cooperated to resist subscribing to state-loans. Stakhanovites used their political capital while skilled workers the regime's need for expert labour as bargaining chips to enforce personal material interests. On the other hand, unskilled workers with low wages who had been in great supply due to collectivisations in the countryside remained most exposed to state power during the early 1950s. While skilled workers challenged propaganda individually, resistance among unskilled workers generally manifested in passive collective action during subscription campaigns.

3.3.1. Collective Action

In the early 1950s, agitators resented that low-income workers established quota ceilings (*plafont húztak*) to resist subscribing. In autumn 1950, Budapest Agitprop reported that 'there was not one plant where workers did not attempt to establish 200-forint ceilings'.[89] For example, at the *Kelenföldi Textilgyár* (Kelenföld Textile Plant), workers secretly showed fingers to instruct each other to consent to 100 or 200 forints.[90] In several factories in the XV

[87] See Katherine Lebow, *Unfinished Utopia: Nowa Huta, Stalinism, and Polish Society, 1949-56* (Ithaca: Cornell University Press, 2013); Horváth, *Stalinism Reloaded*; Pittaway, *The Workers' State*; Kenney; Adrian Grama, *Labouring Along: Industrial Workers and the Making of Postwar Romania* (Berlin: Walter de Gruyter, 2018); Ágota Lívia Ispán, *A Város Vidéke - A Falusi Lakosság Életmódváltása Az Urbanizáció Hatására* (Budapest: MTA, 2020).

[88] BFL XXXV.95.c/18d. 119. ő. e. 'Összefoglalójelentés a Békekölcsön-jegyzés első két napjának munkájáról 1950. szeptember 30.' p. 69.

[89] BFL XXXV.95.c/18d. 'Összefoglaló jelentés a Békekölcsön-jegyzés első két napjának munkájáról (1950)', p. 71.

[90] BFL XXXV.95.c/18d. 'Összefoglaló jelentés a Békekölcsön-jegyzés első két napjának munkájáról (1950)', p. 71.

District, agitators reported that 'the enemy pitched that workers should offer 100–200 forints; therefore, they, as it were, drew a "ceiling" in factories and areas populated by workers of peasant origin'. To resolve this, agitators interrupted the campaign to have 'these areas kneaded over [*átgyúrni*] by stronger agitators'.[91] In 1952, Budapest Agitprop reported that 'almost in every important Budapest plant—to a wider or narrower extent—the enemy organised [quota ceilings]'. For example, at the *Vörös Csillag Traktorgyár* (Red Star Tractor Factory) workers commuting from nearby villages agreed in advance to undersubscribe the state-loan. One worker, József Korponai, even claimed that if '[agitators] do not accept 200 forints, he would pay at the district office where they would accept his offer'. The report accused the local party committee of 'opportunism' for 'only' moving Korponai to a different workshop instead of 'uncovering him in front of other workers'.[92] At *Celter Textilgyár* (Celter Textile Factory) in Budakalász, workers proposed to sign 50 and 100 forints. Workers resisted subscribing 'most decisively', and 'they drove people's educators off in the most provoking way'. One worker even declared that 'he will not make any subscriptions', maybe 50 forints, if the communists insisted. Using the shortages of weavers in the plant as a bargaining chip to protest, communist and non-communist workers unequivocally asserted that they would be rather dismissed than raise subscriptions.[93]

3.3.2. Individual Action

In return for preferential treatment and material privileges that Stakhanovite workers received from the state, the regime expected Stakhanovites to set an example during subscription campaigns by giving up at least the amount of their average monthly wage and, ideally, even

[91] MNL PML XXXV.1.b. 2/56. ő. e 'Feljegyzés a XV. Kerületi Békekölcsönjegyzésről', p. 43.
[92] BFL XXXV.95.b/87d. 305. ő. e. 'Feljegyzés 1952. szeptember 26.' p. 48.
[93] MNL PML XXXV.1.b. 2/56. ő. e. 'Jelentés a Békekölcsön-jegyzés első napjáról, szentendrei járás (1951)', pp. 34-35.

oversubscribe it. Although contemporary propaganda frequently showcased Stakhanovites as allies of the Hungarian workers' state, like other workers, Stakhanovites' consent to state policy had been predominantly conditioned by their satisfaction with the value of wages.

For instance, one mood report in 1950 found it 'disappointing' that 'public attitudes towards subscriptions did not turn out along the anticipated lines'. While 'cleaning ladies, retrained bricklayer girls, and the youth with small wages showed true exemplary subscriptions […] the subscriptions of Stakhanovites and outstanding workers [*élmunkások*] […] caused disappointment'.[94] Another report from the X District of Budapest asserted that 'Stakhanovites, during the whole course of the subscription [of 1951], generally behaved unworthily to their title and character'.[95] At both the *Kispesti Textilgyár* (Kispest Textile Factory) and the *Magyar Pamut és Gyapjúfonó Gyár* (Hungarian Cotton and Wool-spinning Factory), Stakhanovites established 'quota ceilings'. They proposed 200–300 forints instead of average income. Stakhanovites cited their poor personal material well-being in protest. Stakhanovites asserted that '[they either] bought or going to buy furniture, coat, clothing, shoes' or 'they needed to support their relatives'.[96] At *Újlaki Téglagyár* (Újlaki Brickyard), Stakhanovites, in response to agitators' claim about obligations associated with their title, asserted that 'they neither asked for an award nor a title and if it was necessary, they would relinquish it, but they are unwilling to change their mind [of under-subscribing their quota]'.[97]

Stakhanovites protested both openly and individually. For instance, Hungary's number-one 'high-profile' Stakhanovite planer at the *Egyesült Izzólámpa és Villamossági Gyár* (United Lightning and Electrics Factory), Ignác Pióker, insisted on subscribing 1,200 forints when his monthly wage was 2,000 forints.[98] His colleague, another 'high-profile' Stakhanovite, József

[94] BFL XXXV.95.b/86d. 301. ő. e. 'Jelentés a XI. kerület békekölcsönjegyzés munkájáról (1950)' p. 31.
[95] BFL XXXV.95.c/19d. 125. ő. e. 'Jelentés, MDP X. kerület bizottság (1951)' p. 91.
[96] BFL XXXV.95.b/87d. 305. ő. e. 'Feljegyzés, 1952. szeptember 26. (1952)' p. 50.
[97] BFL XXXV.95.b/87d. 305. ő. e. 'Feljegyzés a békekölcsön-jegyzés tapasztalatiról (1952)' p. 66.
[98] Regardless of this incident, Pióker went on to become a member of parliament between 1953 and 1985.

Kiszlinger, proposed 1,500 forints with a monthly wage of 1,800 forints.[99] Imre Muszka, the number-one reference point in Stakhanovite propaganda, at the *Rákosi Mátyás Művek* (Mátyás Rákosi Works), consented to subscribe 1,200 forints and asserted that 'he wants to live in a human manner' so he could not give more.[100] Simon Mezei, 'the second-best miller in the country' at *Telefongyár* (Phone Factory) in the XIV District, offered 500 forints. Béla Varnák at *Danuvia Gépgyár* (Danuvia Machine Factory) offered 400 forints when his average wage had been between 1,800 and 2,000 forints.[101] In autumn 1951, Mrs Ferenc Panyi, on the other hand, was willing to subscribe an astonishingly-low 200 forints.[102] Party officials thought Mrs Panyi even organised collective resistance in her workshop by convincing her colleagues to under-subscribe the loan.[103] Ferenc Sipos, a welder at the *Gábor Áron Vasöntöde és Gépgyár* (Áron Gábor Foundry and Machine Factory), was willing to subscribe 100 forints with a wage of 1,400 forints.[104] Another Stakhanovite, János Larát, at the *Láng Gépgyár* (Láng Machine Factory) proclaimed that

> everything that is being said to him [about the economic plan's results and the role of state-loans in reaching them] is a bait [*maszlag*] to make workers fall for it to work better. The results are perpetual outcomes which could have been accomplished similarly in the past during so much time. Accordingly, everything was meant to happen this way.[105]

Instead of encouraging workers to subscribe, Stakhanovites criticism of state-loans empowered 'ordinary' workers to resist subscribing. In the XIV District of Budapest, where most Stakhanovites subscribed 'ridiculously low amounts', one worker asserted that 'once

[99] BFL XXXV.95.b/86d. 301. ő. e. 'Az Egyesült Izzó pártszervezetének a Békekölcsön jegyzéssel kapcsolatos munkájáról (1950)' p. 79.
[100] BFL XXXV.95.b/86d. 301. ő. e. 'A békekölcsön jegyzés eddigi munkájának tapasztalatiról (1951)'
[101] BFL XXXV.95.b/87d. 304. ő. e. 'XIV. kerület jelentése (1951)', p. 69.
[102] Panyi's name in Hungarian reads Panyi Ferencné where *né* refers to Panyi's marital status. In English, Mrs is added before Panyi's name to reflect this.
[103] BFL XXXV.95.b/86d. 301. ő. e. 'A békekölcsön jegyzés eddigi munkájának tapasztalatiról (1951)'
[104] BFL XXXV.95.c/19d. 125. ő. e. 'Jelentés a békekölcsönjegyzés agitációs munkájáról, VIII District (1951)' p. 69.
[105] BFL XXXV.95.c/19d. 125. ő. e. 'Jelentés a békekölcsönjegyzés előkészítéséről, XIV District (1951)' p. 149.

Stakhanovites have subscribed, I will do my part as well'. In places where agitators successfully persuaded Stakhanovites to 'show an example', workers' resistance was less effective. As one report put it, 'in general, where Stakhanovites subscribed more, workers also subscribed better.'[106]

3.4. Breaking Workers' Resistance

3.4.1. Personal Agitation

Communist agitators sought to divide and isolate the workforce to break workers' protests and cooperation to fulfil subscription quotas. At the *Óbudai Hajógyár* (Óbuda Shipyard), workers insisted on subscribing 100 and 200 forints in such high proportions that the local party organisation 'panicked'. Several party organs rushed the factory to relieve the situation and advised local agitators about ways to meet subscription targets. Although unbidden help initially 'overwhelmed' local agitators, the following day, propagandists managed to bring the campaign to success. Agitators divided the workforce to crush workers' resistance. Agitators spoke with workers one-by-one, which began to affect workers' average subscriptions.[107]

As agitators knew that Stakhanovites' general conduct influenced workers' views about subscribing, party agitators invested great energy into breaking Stakhanovites' resistance. Paradoxically, however, while ordinary workers were publicly humiliated, critiqued, and sacked from employment, the communist regime refrained from these measures to discipline Stakhanovites for fear of losing the regime's credibility and the remaining legitimacy of labour competitions on the shop floor.[108] In 1951, for instance, party organisations from various

[106] BFL XXXV.95.b/87d. 304. ő. e. 'XIV. kerület jelentése (1951)', p. 69.
[107] BFL XXXV.95.b/86d. 301. ő. e. 'Jelentés a III. kerületi Politikai Bizottság Békekölcsönjegyzéssel kapcsolatos munkáiról (1950)', p. 14.
[108] Pittaway argued that the legitimacy of labour competitions had already been destroyed by as early as summer 1950. See Mark Pittaway, 'Retreat from Collective Protest: Household, Gender, Work and Popular

Budapest factories publicised the names of non-complying Stakhanovites for public humiliation. The Communist Party's Budapest Party Organisation, however, condemned this use of method against Stakhanovites. It deemed that the measure only helped advance the generally bad reputation of the Stakhanovite movement and, indirectly, the regime as a whole. Moreover, Stakhanovites' special status made them less susceptible to the severe consequences associated with non-compliance, such as public humiliation and 'uncovering', that ordinary workers were subject to bear.[109]

For instance, Ignác Pióker raised subscription to 1,500 forints due to unrelenting persuasion. However, this did not exceed and even failed to reach Pióker's average monthly wage. Consequently, this outcome rendered him ill-fitted for propaganda purposes, at least for the campaign's duration. Panyi's remarkably low subscription of 200 forints even raised confusion at higher party levels. As a consequence, a special delegation from the Ministry of Light-Industry visited Panyi and lectured her about her responsibilities as a Stakhanovite worker. Due to Panyi's sustained resistance, the delegation made the factory management stop providing material assistance to Panyi to prevent reaching her production target of an outstanding 1,200 per cent. Although Panyi was accused of the most severe crimes, of being an instigator and an enemy of the party, the factory management allowed Panyi to continue working in the factory in the coming years but with a significant decrease in her wage due to loss of privileges.[110]

3.4.2. 'Illustrative Agitation'

Opposition in Stalinist Hungary', in *Rebellious Families: Household Strategies and Collective Action in the 19th and 20th Centuries*, ed. by Jan Kok (New York: Berghahn Books, 2002), p. 204.

[109] BFL XXXV.95.b/87d. 304. ő. e. 'XIV. kerület, Jelentés (1951)' p. 69.

[110] See in Eszter Zsófia Tóth, 'Nők Férfias Terepeken És Férfi Foglalkozásokban; A „férfias" És a „nőies" Munka Világa a Szocialista Időszakban', *Sic Itur Ad Astra*, 19.58 (2008), pp. 271–72.

Dividing the workforce to personally agitate workers, however, did not always enforce workers' compliance with party directives. Instead, agitators routinely resorted to coercive methods to make an example to workers. Public shaming, humiliation, and the general vilification of workers were engineered and endorsed by the party's top leadership.[111] These techniques were widespread in the early 1950s. For example, at the *Phylaxia Oltóanyaggyár* (Phylaxia Vaccine Production Plant), one worker who under-subscribed the quota was caricatured as putting sub-target subscription into 'Truman's money-bag'.[112] At *Uzsoki Kórház* (Uzsoki Hospital), communist agitators drew a caricature of the hospital's kitchen staff which showed them hiding 'behind a saucepan', with Truman facing on the opposite end, pointing a cannon at them, with a writing above the scene, 'Do not shoot here, we under-subscribed the bond!'[113] At *Ruhagyár* (Clothing Factory) in the XX District, agitators drew a caricature of a worker who insisted he needed money to buy an overcoat. The worker was ridiculed as hiding in a bunker in his new coat and sweating.[114] In another instance, a worker referenced his 'starvation' to resist subscribing. In return, agitators drew a picture of him to humiliate him for his bodyweight publicly.[115] In the village of Tésa, in the Szob District, the deputy of the council's chairman asserted that 'I shit on "peace", I do not care about it'. In return, the party's district committee 'flooded' the village with posters presenting the deputy surrounded by 'bacteria and an atomic bomb' with a reading that she was an 'enemy of peace'.[116] At *Kőbánya Lakkgyár* (Kőbánya Lacquer Factory), local party officials went to absurd lengths, making one

[111] See various uses of 'illustrative agitation' by MDP Agitprop in MDP, *A Szemléltető Agitáció a Politikai Felvilágosító Munka Fontos Eszköze* (Budapest: MDP KV Agitprop, 1951).
[112] BFL XXXV.95.b/87d. 304. ő. e. 'Jelentés a szeptember 29-én délután 4 óráig beérkezett jelentések alapján', p. 45.
[113] BFL XXXV.95.b/87d. 304. ő. e. 'XIV. kerület jelentése (1951)', p. 71.
[114] BFL XXXV.95.c/19d. 122. ő. e. 'Feljegyzés a Békekölcsön-jegyzés munkájáról (1951)', p. 97.
[115] BFL XXXV.95.c/19d. 122. ő. e. '1951. évi Békekölcsön-jegyzés munkájának értékelése (1951)', p 118.
[116] MNL PML XXXV.1.b. 2/56. ő. e. 'Jelentés (1952)', p. 38.

worker 'dress up as Tito' to congratulate under-subscribers.[117] According to a report, these 'illustrative agitation' techniques brought the most 'success' in prompting people to comply with their quota requirements.[118]

Like the Bolsheviks in the Soviet Union, Hungarian communists also attributed particular importance to the youth.[119] They deemed that centralised education of young people along Marxist-Leninist principles would not only help construct children's communist identities from an early age, but communists also expected young people's education to rub off on parents.[120] Agitators frequently exploited children to attain political goals during state-loan subscription campaigns. For instance, at *Kispesti Textilgyár* (Kispest Textile Factory), agitators arranged children to come to parents on the shop floor from nursery schools. Agitators instructed children to tell parents of the need to subscribe to state-loans 'for the benefit of children'.[121] At another factory, agitators instructed *úttörő pajtások* (pioneers) to deliver 'Truman's congratulating [mock] letter' to 'indecisive' workers.[122] At *Elektronikus Mérőkészülékek Gyára* (Electrical Metre Factory), agitators instructed one young pioneer to walk from one workstation to another to 'humiliate' under-subscribers by telling stories about the ways his life had been merrier under communism than could have been in the past.[123] At *Újpesti Cérnagyár* (Újpest Yarn Factory), young pioneers gave flowers to workers in

[117] BFL XXXV.95.c/19d. 125. ő. e. 'Jelentés a X. kerületi békekölcsönjegyzésének agitációjáról' p. 95. This practice was endorsed in one of the party's propaganda booklet, see MDP, *A Szemléltető Agitáció a Politikai Felvilágosító Munka Fontos Eszköze*, pp. 54–55.

[118] BFL XXXV.95.c/19d. 126. ő. e. 'Fővárosi Villamos Vasút Jelentése (1951)' p. 84. [Report by Metropolitan Tramway]

[119] Communist youth policy and the *úttörőmozgalom* (pioneer movement) in Hungary are relatively under-researched areas. Hungarian youth policy was generally based on the Soviet model. On the Soviet experience, see Catriona Kelly, *Children's World: Growing Up in Russia, 1890-1991* (New Haven: Yale University Press, 2008); Lisa A. Kirschenbaum, *Small Comrades: Revolutionizing Childhood in Soviet Russia, 1917-1932* (New York: Routledge, 2001).

[120] MNL OL M-KS 276. f. 53/106. ő. e. 'A Központi Vezetőség határozata az Úttörő Mozgalom vezetésének továbbfejlesztéséről (1952. szeptember 11.)' p. 9.

[121] Pioneer organisations received written instructions from DISZ. See DISZ, *Az Úttörőcsapatok Feladata a III. Békekölcsön Jegyzésben* (Budapest: Szikra, 1952), p. 10.

[122] BFL XXXV.95.c/19d. 125. ő. e. 'A BK jegyzés kiértékelése, XV. kerület (1951)', p. 180.

[123] BFL XXXV.95.c/19d. 126. ő. e. 'Jelentés a 3. BK-jegyzés kultúragitáció munkájáról (1952. október 3.)' p. 129.

fulfilment of the subscription quota. Here, when a young pioneer found his mother had not received flowers, he visited his mother's workstation and asked her, 'How come you did not deserve flowers?' to challenge the mother's decision of under-subscribing the state-loan. Using children as tools towards political goals mostly reached the desired result. For instance, at the *Duna Cipőgyár* (Duna Shoe Factory) bringing children to the shop floor quickly 'improved' the 'incipient truly bad mood' during subscriptions. Agitators' report gleefully concluded that 'the presence and interactions of children with workers exerted such an emotional impact which [agitators] could not have achieved through any other means'.[124]

When people seemed to subscribe gladly, they did so as a sign of gratitude for their children's career advancement, not because of the material improvements in their personal lives or the widely-promoted economic incentives of the bond scheme.[125] For instance, in the village of Zebegény, a peasant explained that she only spent two years in education while her daughter under communism even had the opportunity to enter higher education.[126] Parents, who initially refused to contribute to state-loans, often conceded when agitators spoke of their children's career advancement due to communist class policy. However, workers' memory of the recent past also made them less receptive to promises of economic benefits of monetary sacrifice. At the *Beloiannisz Híradástechnikai Gyár* (Beloiannisz Telecommunication Factory), for example, a senior worker explained to his apprentices that they should not subscribe to bonds because 'they would not be able to buy shoes'. Moreover, he warned that 'there might be a time in the future when times would change and the regime would flashlight

[124] BFL XXXV.95.c/19d. 126. ő. e. 'Jelentés a 3. BK-jegyzés kultúragitáció és munkájáról (1952. október 3.)' p. 128.
[125] On social mobility in Hungary, see Rudolf Andorka, *A Társadalmi Mobilitás Változásai Magyarországon* (Budapest: Gondolat, 1982). On the communist regime's appropriation of 'social mobility' for propaganda to legitimate political power, see György Majtényi, *A Tudomány Lajtorjája: 'Társadalmi Mobilitás' És 'Új Értelmiség' Magyarországon a II. Világháború Után* (Budapest: Gondolat Kiadó, 2005).
[126] MNL PML XXXV.1.b. 2/56. ő. e. 'Jelentés (1952)', p. 38.

the faces of those who subscribed, as the communists do it today with members of the *levente* youth associations [of the Horthy regime]'.[127]

3.4.3. 'Uncovering' and the ÁVH

Illustrative agitation remained standard practice throughout the 1949–1952 period. Linking workers' identities with images of Western powers implied that people opposing state policy stood only one step away from being 'uncovered' as 'enemies of the state'. If illustrative agitation had not borne fruit, agitators organised the public uncovering of workers to set the scene for recalcitrant workers' denunciation and public dismissal. Through ascribing 'enemy' identities, such as a 'right-wing Social Democrat', 'fascist' and 'imperialist spy', 'uncovering' involved the immediate expelling of workers from factory and further prosecution. Agitators used this measure against persistently defiant workers to set an example and break resistance within the workforce.[128]

Workers turned to drastic measures in despair as violence and coercion became the norm. For instance, one worker at the *Keleti Postahivatal* (Eastern Post Office), adjacent to the main railway station of Budapest, *Keleti Pályaudvar* (Eastern Railway Station), stormed against an agitator with an iron-rod to hit him for harassing him about raising his 100-forint subscription.[129] Workers even threatened and physically insulted their colleagues who conceded to agitators. Workers perceived this as a form of blacklegging which rendered collective resistance ineffectual. At *Csepeli Klinika* (Csepel Clinic), a physician's secretary threatened her colleague 'to be gutted' if he would sign a month's worth of salary. At *Kelenföldi*

[127] BFL XXXV.95.b/86d. 301. ő. e. 'Jelentés a DISZ munkájáról a B.K. jegyzéssel kapcsolatban' p. 74.
[128] The termination of one's working contract carried the risk of being stigmatised and entailed cancelling social benefits beyond the official income. For more on socialist welfare policy, see Haney. Gaps in one's employment entailed obstacles in securing new employment. For a detailed account of a worker's experience after his dismissal due to refusing to subscribe to the *békekölcsön* in 1955, see https://www.archivnet.hu/hetkoznapok/jegyezz_bekekolcsont.html (accessed 18 April 2021)
[129] BFL XXXV.95.c/19d. 126. ő. e. 'MDP Postás Pártbizottság Jelentése (1951)'

Textilgyár (Kelenföld Textile Plant), one of the top subscribers had to run out of the changing room because his colleagues 'wanted to beat him up'. At the *Járműjavtó* (Vehicle Repair Unit) in the XIII District, workers threatened one of the top subscribers with a beating 'if he dares to step out the factory gates'. At *Budai Magasépítő Vállalat* (Buda Structural Architecture Enterprise), workers wanted to 'knock down' the local youth organisation secretary with a pole for signing up 1,600 forints from his wage. They hit him on his arm, which broke in two places.[130]

4. Implementing Reforms (1953–1954) and the Return to Coercive Methods (July 1953–July 1956)

By early 1953 Hungary's economy was near to collapse.[131] The Rákosi regime, however, refused to implement structural reforms.[132] After Stalin's death on 5 March, the new Soviet leadership called the Hungarian leaders to Moscow between 13–16 June. Malenkov, Beria, Molotov, and Khrushchev criticised Rákosi's political, social, and economic policy. In citing statistics about the disastrous outlook of the Hungarian economy, the Soviet leaders emphasised that 'there is real repression wave against society' and that 'there is an incipient catastrophe if we do not change this situation'.[133] They instructed Rákosi to exercise self-critique and 'proposed' that the agricultural expert, Imre Nagy, should replace Rákosi as Chairman of the Council of Ministers to implement reforms and improve welfare to strengthen the party's legitimacy in society.

[130] BFL XXXV.95.c/19d. 122. ő. e. 'Feljegyzés a békekölcsönjegyzés munkájáról (1951)', p. 103.
[131] Gyarmati, 'Hadigazdasági Túlterhelés, Rejtőzködő Transzformációs Veszteség És a Személyi Kultusz. A Magyarországi „új Szakaszt" Megelőző Rendszerválság 1952/53 Fordulóján'.
[132] Pető and Szakács, pp. 239–73.
[133] György T. Varga, 'Jegyzőkönyv a Szovjet És a Magyar Párt- És Állami Vezetők Tárgyalásairól (1953. Június 13-16.)', *Múltunk*, 37.2–3 (1992), p. 242.

Subsequently, on 27–28 June, the Communist Party's KV accepted the communist leadership's new reform programme. The *új szakasz* (New Course) focused on three main areas to reform: improving agricultural output, increasing living standards, and establishing legality in the country.[134] Crucially, the programme proposed to reform the state's approach towards society.[135] Consequently, the Nagy government lowered state-bond subscription quotas to reflect 'the real material circumstances of workers' and initiated corrections to mitigate repression during subscription campaigns.[136]

4.1. Materialising Propaganda Objectives and its Repercussions

On 30 September 1953, the finance minister, Károly Olt, announced the fourth issue of the *békekölcsön* in the party's daily. Olt argued that the overall target of the state-loan had been lowered from the previous year's 1,752 million forints to 1,000 million forints to increase citizens' disposable income. The article further emphasised that agitators could not accept anything over two weeks' wages to reduce the use of 'administrative measures' during the campaign.[137]

In autumn 1953, the Budapest Party Committee exercised self-critique to set a new direction in subscription policy. It established that during previous state-loan campaigns, 'assault, humiliation, and the application of party-punishment were widespread [in agitation which] pushed away and did not convince the masses about the rightfulness of our party's policy.' Moreover, according to the report, the party's legitimacy crisis could be especially

[134] Károly Urbán, 'Nagy Imre Első Miniszterelnöksége', *Társadalmi Szemle*, XLVII.6 (1992), p. 75.
[135] Miklós Vásárhelyi, 'Az Első Meghiúsított Reformkísérlet', *Medvetánc*, 2.2–3 (1988), pp. 149–205.
[136] Workers with wages below a monthly 700 forints were required to subscribe one week's, while those above 700 forints, two weeks' worth of income. See MNL OL XXIX-L-3-e/18d. '7/a. sz. Tájékoztató: Az egyes rétegek penzumával kapcsolatban'
[137] 'A Negyedik Békekölcsön', *Szabad Nép*, 30 September 1953, p. 1.

noticed in major workers' districts and large chemical and metallurgical factories.[138] Instead of the excessive use of ornaments, posters, billboards ('*villámok*' [lightning bulletin boards] or '*harci röplapok*' [battle leaflets]), *csasztuska* singings, and other various uses of propaganda in previous campaigns, party organisations proposed 'less of a carnival outlook'. The fourth (1953) and fifth *békekölcsön* (1954) propaganda shifted the emphasis from the 'protection of peace', the uncovering of enemies, and patriotic purposes, towards questions of personal welfare. Crucially, it proposed to engage with workers' personal concerns. People were no longer required to contribute to strengthen Hungary's position against imperialism but to improve the communist welfare state, such as alleviating the housing crisis, for the sake of the public good.[139]

The Nagy regime persistently argued that subscription to the state-loan was voluntary. Before the beginning of the camping in September 1953, OTP established that citizens' two-weeks' salary had to be an upper 'ceiling' to avoid significantly exceeding the 1,000 million forints target. However, not only subscriptions continued to be coerced, but even the campaign could not be terminated upon target fulfilment. The regime believed that a more permissive approach carried the risk of discrepancies between personal subscription levels, leading citizens to believe that one could evade subscribing. Moreover, the government believed that terminating the campaign before deadline would harm the turnout of future state-loans.[140]

Due to lowering the cumulative subscription target, the plan no longer compelled agitators to enforce oversubscriptions of personal quota. In addition, giving the campaign's execution to the *Szakszervezetek Országos Tanácsa* (National Council of Trade Unions—SZOT) and local councils instead of party organisations somewhat helped reduce coercion

[138] BFL XXXV.95.b/87d. 306. ő. 'Budapesti Pártbizottság határozata a IV. Békekölcsönjegyzés politikai es szervezeti előkészítésére, lebonyolítására' p. 3.
[139] BFL XXXV.95.b/88d. 307. ő. e. 'Javaslat az V. Békekölcsönjegyzés politikai és szervezeti lebonyolítására'
[140] MNL OL XXIX-L-3-e/11d-88. 'Feljegyzés az 1953. évi államkölcsön pensumával kapcsolatos problémákról'

during campaigns.[141] Party agitators lamented that trade unions generally had a more permissive approach towards workers. In autumn 1953, they complained that, unlike in previous years, trade unions often failed to educate workers of the regime's political agenda:

> Agitators approach workers and ask what amount they want to subscribe. If they receive a satisfactory answer, they sign them up without discussing the political significance of state-loans. They only try to agitate where they find difficult cases, and they turn to party leadership for help in places when they do not succeed at convincing workers.[142]

Although local party organisations continued to 'isolate' and 'uncover' the 'enemy' when workers refused to comply with trade-union personnel, as opposed to previous years, the maximisation of subscription quota, and even Nagy's personal refusal to organise supplementary agitations among recalcitrant workers in 1953, meant that pressure on agitators from the central leadership had been mitigated during the autumns of 1953 and 1954.[143]

Despite the regime's relatively more permissive approach during campaigns, citizens remained reluctant to concede to state-loan propaganda. Instead, after summer 1953, KV's admittance of errors in state policy even empowered citizens to critique the economic achievements of communism. Citizens questioned the regime's claim about any increases in living standards and called workers' personal circumstances 'pathetic'.[144]

As the regime strove to set economic policy on a more rational footing, workers experienced that reforms continued to be financed through households' income. By 1953, workers widely considered state-loans a form of taxation rather than a voluntary investment. The levying of new taxes on workers further confirmed this feeling. General discontent with

---

[141] BFL XXXV.95.b/91d. 327. ő. e. 'Jelentés a negyedik békekölcsön jegyzés előkészületeiről' p. 1.; MNL OL XXIX-L-3-e/18d. '8. sz. Tájékoztató: A SZOT részvétele a kölcsönjegyzés megszervezésében'

[142] BFL XXXV.95.b/87d. 306. ő. e. 'Feljegyzés a IV. Békekölcsönnel kapcsolatos hangulatról és a jegyeztetők és pártszervezetek munkájáról; készült a kerületi partbizottságok jelentései és a 30 fontosabb üzembe kiküldött Budapesti Pártbizottság munkatársainak személyes tapasztalata alapján' p. 76.

[143] MNL OL XIX-A-83/511.jkv '511/[2] A békekölcsön-jegyzés első két napjának mérlege (1953. október 2.)' pp. 5-6.

[144] BFL XXXV.95.b/88d. 307. ő. e. 'Feljegyzés az V. Békekölcsönjegyzés első napjának tapasztalatiról' p. 43.

the four per cent *gyermektelenségi adó* (childlessness tax)—introduced by the Rákosi government in March 1953 as part of its pro-natalist agenda—emerged in people's protests against state-loans from autumn 1953 onwards.[145] The childlessness tax made childless workers equally worse off as in previous years despite state-loan quota reductions.[146] Childless workers, therefore, considered evading state-loans as a legitimate way of preserving the purchasing power of wages.[147] Parents of only children also remained critical of communist social and fiscal policy because, from March 1953, only parents with at least two children were eligible for family allowance.[148] This made only children parents argue that they had been worst off at the end of each month due to the new policy.

From October 1954, the regime levied a three per cent pension contribution on workers, which together with annual bond subscriptions resulted in nearly as significant a loss of nominal wage as in the 1950–1952 period for state-employed workers. Although in 1954, real wages increased by 15 per cent on average from the previous year (yet they were still around 22 per cent behind the prewar level of 1938), this marginal gain in living standards failed to appease workers.[149]

While from summer 1953, the Nagy government gradually introduced reforms to improve welfare, it simultaneously failed to restructure the economy. As a result, while real wages increased, the supply of consumer goods failed to keep apace. By mid 1954, the money

[145] BFL XXXV.95.b/91d. 327. ő. e. 'Jelentés a IV. Békekölcsön jegyzéssel kapcsolatban (1953. szeptember 30.)' p. 2.
[146] For illustration, in 1953–1954, a worker, on average, earned around 996 forints per month. The four per cent tax resulted in around 40 forints wage reduction each month, or 478 forints annually. Even with reduced quotas in 1953–1954, a childless worker lost almost one month's worth of nominal wage together with the one per cent income tax payroll deduction at the end of each month. After October 1954, the three per cent pension contribution further increased workers' considerable fiscal burden. On nominal wages between 1949 and 1957, see KSH, *Magyar Statisztikai Zsebkönyv 1958*, p. 176.
[147] BFL XXXV.95.b/91d. 327. ő. e 'Jelentés a Békekölcsönjegyzéssel kapcsolatban (1953. október 1.)' p. 1.
[148] BFL XXXV.95.b/91d. 327. ő. e. 'Jelentés a IV. Békekölcsön jegyzéssel kapcsolatban, 1953. szeptember 30.' p. 2.
[149] KSH, *Magyar Statisztikai Zsebkönyv 1958*, p. 176.

supply increased by 40–50 per cent relative to the previous year.[150] While inflation was not an imminent threat, communist policy makers considered increased purchasing power dangerous to currency stability. This unwelcome economic condition was further exacerbated by the country's negative trade balance and growing indebtedness towards capitalist countries.[151]

During summer 1954, the Hungarian leadership agreed that Hungary's economic situation had been severe.[152] The leadership, however, could not agree on the course of reforms. By summer 1954, the political leadership had been broken into two factions: the reformers centred around Nagy refused to back down on improving the standard of living, while the hardliners around Rákosi prioritised heavy industry and forecasted an eight per cent decrease in workers' real income for 1955 relative to 1954.[153] On 3 October 1954, Nagy eventually managed to make KV accept his vision of reforms. By December 1954, however, the international climate made it clear that the course of reforms in Hungary depended on Moscow's final verdict again.

4.2. Return to Coercion and the Demise of State-loans

On 12 January 1955, the Soviet leaders denounced Nagy for disclosing Hungary's economic situation to the public.[154] Molotov asserted that while 'crisis' might have been too strong a word to use, Hungary's economic and political situation was certainly 'very serious': 'Had there not been the neighbouring Soviet Union and the other friendly countries to come to Hungary's aid, we could not hold such debates. Hungary's people's democracy would not

[150] KSH, *Statisztikai Évkönyv 1957: Pénzügyi Melléklet* (Budapest: KSH, 1959), p. 4.
[151] János Rainer M. and Károly Urbán, '"Konzultációk." Dokumentumok a Magyar És a Szovjet Pártvezetők Két Moszkvai Találkozójáról 1954-1955-Ben', *Múltunk*, 37.4 (1992), p. 132.
[152] János Rainer M., *Nagy Imre 1953-1958* (Budapest: 1956-os Intézet, 1999), pp. 73–80.
[153] MNL OL M-KS 276. f. 53. cs. 189. ő. e. 'A Gazdaságpolitikai Bizottság előterjesztése a lakosság 1955. évi árualap- vásárlóerő alkalmazásáról és megoszlásáról (1954. augusztus 11.)' p. 42.
[154] Rainer M. and Urbán, p. 146.

survive much longer.'[155] At the meeting, the Soviet leadership sided with Rákosi and called to curtail the New Course. Subsequently, in March 1955, Nagy was replaced with Rákosi's puppet András Hegedüs as premier, while Nagy was marginalised, and later even removed from the party.

Agitation during the state-loan subscription of 1955 reverted to practices used during the 1950–52 period. The 'protection of peace' became the word of the day once again with a minor, relatively meaningless concession in terms of budget management of earmarking 200 million forints of state-loan receipts for building new homes.[156] While workers' quota remained similar to ones used under Nagy, during autumn 1955, workers quickly recognised that the quota meant the bare minimum that people had been expected to contribute. Like in the 1949–1952 period, the party's goal was to oversubscribe the loan. OTP established planning directives to account for a 25 per cent oversubscription of the nominal target of 1,200 million forints. Even the party's first secretary of Budapest XVIII district, Ferenc Janza, objected to 'excessive' quota increases in his district. Janza argued that workers' wages had only increased by 8,5 per cent since 1954, yet OTP initiated a 17 per cent increase in subscription targets. Apart from workers, artisans' state-loan targets had also significantly increased by 50 per cent. The Budapest party leadership, however, generally ignored Janza's criticism and argued that his complaints had no 'objective basis'.[157]

Instead of trade unions, the regime entrusted party organisations to deliver the 25 per cent oversubscription of the target. In addition, unlike in previous years, the party publicised the sixth *békekölcsön* issue weeks before the beginning of the campaign. One report argued that this measure helped dampen 'enemy' activities.[158] For instance, in August 1955, the

[155] Rainer M. and Urbán, p. 143.
[156] BFL XXXV.95.a./31d. 129. ő. e. 'Zárójelentés a VI. Békekölcsön jegyzésének lebonyolításáról' p. 17.
[157] BFL XXXV.95.b/88d. 307. ő. e. 'Janza Ferenc kerületi első titkár levele Mező elvtársnak' pp. 69-72.
[158] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája. - A KV PTO jelentése a VI. Békekölcsönjegyzésről (1955. október 6.)' p. 56.

Budapest Agitprop established that norm revisions in the metallurgical and machine industries had impacted workers 'sensitively', and some workers had already begun discussing ways to evade the state-loan. However, party agitators, managed to dismantle these concerns well before the campaign's opening.[159]

Budapest Agitprop argued that KV's resolution from March, which condemned 'right-wing views' within the party, made the party's authority stronger and the party's role clearer in 'crushing' views deviating from the party's line during the campaign.[160] The March resolution empowered party agitators to enforce the oversubscription of the plan.[161] Although KV's *Párt- és Tömegszervezetek Osztálya* (Party and Mass-organisations' Department) reported the campaign's overall success, it warned not to overestimate the record turnout of the loan. It asserted that the party only accomplished to fulfil the subscription plan through 'administrative techniques', which had been prevalent during the entire length of the campaign.[162]According to the report, even low-wage workers had been forced to oversubscribe the quota by 25 per cent, and workers' resistance had been crushed with an 'iron fist'.[163] Factory party organs eliminated workers' 'rightful obstruction' through 'hard pressure' including threats of dismissal and expulsion from the party. One factory manager in the XIII District even attempted suicide in despair.[164] Even the report's author, József Köböl, found it 'suspicious' that workers subscribed to 130 per cent of their quota on average.[165] The report asserted that coercion during the campaign 'offended people's sense of justice and harmed the party's relation with workers'.[166]

---

[159] BFL XXXV.95.c/19d. 124. ő. e 'Javaslat a hatodik békekölcsönjegyzés szervezeti előkészítésére és lebonyolítására' p. 40.
[160] BFL XXXV.95.c/19d. 124. ő. e 'Javaslat a hatodik békekölcsönjegyzés szervezeti előkészítésére és lebonyolítására' p. 40.
[161] BFL XXXV.95.a./31d. 129. ő. e. 'Zárójelentés a VI. Békekölcsön jegyzésének lebonyolításáról' p. 16.
[162] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája...' p. 55.
[163] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája...' p. 59.
[164] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája...' p. 62.
[165] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája...' p. 59.
[166] MNL OL M-KS 276. f. 53. cs. 250. ő. e. 'A napirendi pont vitája...' p. 55.

After the disclosure of Khrushchev's 'secret speech' in early 1956, when internal tensions began to threaten the maintenance of communist power within Hungary, the regime reluctantly decided to phase out state-loans entirely in July 1956 to appease the public. This decision, however, came too late, and this measure alone failed to mitigate workers' discontent. After the revolution of October 1956, the Kádár regime eventually accepted that the legitimacy of communism within Hungary depended on the new government's ability to find new ways and constructing effective propaganda to tap household savings and maintain the fiscal balance.

5. Conclusion

The chapter has argued that citizens' contempt for the early-socialist regime's fiscal policy had been widespread in Hungary despite state-loan plan fulfilment each year between 1949 and 1955. While in 1949, the communists managed to deliver the *tervkölcsön* campaign within days in factories, from 1950, increased *békekölcsön* quotas, acute shortages, and the sudden depreciation of real wages turned citizens increasingly critical of communist economic policy. Workers measured the communist state's promise of prosperity through the value of money. Economic issues referenced in workers' protests signified to citizens that the regime's ambitious promises of making postwar Hungarian society prosperous simply could not materialise.

The chapter has shown that public frustration with everyday economic circumstances in early-socialist Hungary had been more widespread than previously considered. Not only ordinary workers but high-profile Stakhanovites and even party agitators protested against state-loans. Although there had been odd exceptions, adaptation and various forms of resistance were the norm rather than the unconditional support of state policy, as communist propaganda persuaded at the time. The chapter has shown that political repression in early-socialist Hungary had taken more diverse forms than what conventional top-down narratives focusing

on brute force have been able to convey. Agitators predominantly used psychological pressure and isolation ('personal agitation') as well as public shaming and humiliation ('illustrative agitation') to gain the citizenry consent to state policy. Uncoverings and arrests by ÁVH were used only as a last resort to retaliate against persistent and overt non-compliance during state-loan campaigns and, crucially, to intimidate the workforce and warn them of the consequences of non-payment. Workers, however, had learnt to accommodate propaganda to attempt to reduce the degree of personal contributions. Unskilled workers formed alliances and established quota ceilings. Skilled workers used their work expertise as a bargaining chip to resist subscriptions. Stakhanovites even attained to exploit their political capital, which they paradoxically derived from the state, to undermine the party's authority in an attempt to bargain for quota reductions.

Despite widespread animosity towards communist fiscal policy, the regime attained its short-term interest of funding Stalinist industrialisation through tapping citizens' purchasing power. However, regarding long-term goals, state-loan propaganda failed to mobilise workers in the interest of communist state building. Instead, state-loan campaigns increasingly confirmed to workers that the communists' promise of prosperity could not materialise under communist leadership. What had been reluctantly accepted once as a necessary means of state (re)building during the hyperinflation of 1945–1946, during early-socialism in 1950–1955, became outright rejected by workers. Propaganda turned incapable of justifying penury simultaneously as Stalinist economic policy proved incompetent to increase welfare. Workers even perceived that the communist regime created unbearable circumstances reminiscent of the postwar financial turmoil.

Citizens interpreted reforms of the new government in summer 1953 as the regime's admission of failure in economic policy. Despite reduced state-loan quotas in autumn 1953, workers' criticism of communist policy turned more vocal as the state's repressive surveillance

apparatus was marginalised in favour of trade unions. As the government introduced new direct taxes to compensate for diminishing state-loan revenue in 1953–1954, the fine political line between state-loans and taxes became increasingly blurred. The Nagy government's fiscal policy suggested to workers that despite reforms, the state persistently expected workers to bear the brunt of the Rákosi regime's errors in economic policy. In 1955, the regime's return to the well-worn propaganda methods of the 1949–1952 campaigns help disillusion citizens with the government and the political capacity of the communist establishment paving the way towards the revolution of 1956.

In the following chapter, the thesis turns from industrial workers to the private sector to assess the impact of postwar Hungary's fiscal policy changes on small business owners through the taxation system.

Chapter 3, Funding Stalinism II: direct taxes, private entrepreneurship, and the institutionalisation of informal practices (1945–1956)

1. Introduction

Dezső Patay, a private hatter from Nagykőrös, wrote directly to the Communist Party's *Központi Vezetőség* (Central Committee—KV) in November 1953. He complained about the four-fold increase in his income tax after the proclamation of economic liberalisation under the new premiership of Imre Nagy on 4 July 1953. These reforms were part of the destalinisation programme underway in the Soviet Union initiated by the communist leadership in Moscow, but opposed by Hungary's *de facto* leader, Mátyás Rákosi, the General Secretary (later First Secretary) of the Communist Party. Patay explained that his annual income tax had risen from 570 to 2,200 forints in August. The Communist Party's administration redirected Patay's letter to Pest County Council's *Végrehajtó Bizottság* (Executive Committee—VB) for further investigation. There, the Council's Finance Department established that the *Kisiparosok Országos Szervezete* (National Association of Artisans—KIOSZ) assessed taxes of private businesses and that there were no grounds for councils to override individual tax assessment decisions. However, the secretary of the Pest County Council VB did not accept this ruling. Instead of dismissing the case, he instructed his council's Finance Department as well as Patay's local council in Nagykőrös to carry out a thorough investigation of the complaint. The investigation established that Patay not only repaired but manufactured and sold hats directly from his workshop. Moreover, the investigators asserted that Patay's declared income could not possibly provide for his family of three, including private piano lessons for his daughter. The assessors concluded that Patay was liable for direct taxes; however, they decided to deduct 700 forints from his income tax bill. Despite the investigators' conclusion that Patay had substantially under-declared his income, the council took no further legal action against the complainant.[1]

[1] MNL PML XXIII.3.b/1d. 26/1953 'Patay Dezső panasza MDP KV-nek (1953. november 28.)'

This episode provides an intriguing example of the Hungarian communist state's haphazard taxation policy towards the private sector as well as local councils' instrumentality in putting central directives into practice during the 1950s. Patay's letter caused uneasiness among officials within local councils on various levels. Although the field assessors made several accusations against Patay and his family's petit-bourgeois traits and seemingly made him admit to their accusations of tax evasion and illegal manufacturing, the investigators still decided to favour the complainant's appeal by deducting 700 forints from his income tax. This decision reflected the Hungarian government's new direction in economic policy following the removal of Mátyás Rákosi from his position as prime minister after Stalin's death. This was only a partial demotion, ordered by Moscow, as Rákosi was a diehard Stalinist. He continued to exert influence as First Secretary to stymie Nagy's reform efforts.[2] Evidently, the finance department's bureaucrat at county level who first rejected Patay's appeal had failed to notice this change of times.

During Mátyás Rákosi's Stalinist dictatorship (1948–1953), the state's social categorisation of individual tax subjects (for example, 'kulak' or 'petit bourgeois capitalist') had provided the basis for applying punitive tax obligations through unlawful coercive and administrative practices. However, worsening economic indicators, induced by the Rákosi regime's poor judgements about Hungary's maximum industrial output and its increase of production targets within the first five-year plan in 1951, clearly signalled to the post-Stalinist Soviet leadership that their Hungarian ally had to revise its economic policy to avoid social unrest.[3] Consequently, KV's decree of 28 June 1953 had condemned the previous regime's errors in economic policy including the state's attempt to eliminate private business activities.[4] On 4 July 1953, the succeeding government under Imre Nagy (1953–1955) therefore decided

[2] János Rainer M., *Nagy Imre 1953-1958*, pp. 9–21; Gyarmati, *A Rákosi-Korszak*, pp. 329–42.
[3] T. Varga.
[4] MNL OL M-KS 276. f. 52. cs. 24. ő. e. 'A KV ülés határozata (1953. június 28.)' pp. 216–234.

to lay more emphasis on improving the standard of living and increasing the availability of consumer goods and services.[5] In order to achieve these ends, the government's newly permissive strategy set out to grant social and legal space for the private sector to function effectively. This was particularly significant in the countryside where the previous plan's emphasis on heavy industry at the expense of the agricultural sector and local industry had failed to provide for people's everyday needs.[6] As in Patay's case, however, local council bureaucrats frequently continued to classify and treat tax subjects by ideological categories. Under the Nagy government, from being an instrument of state coercion, direct taxation evolved into a distorted regulatory mechanism which influenced the profitability of private sector undertakings, inflation levels through the availability of goods and services, and individuals' sense of lawfulness and fairness in state policy in terms of economic self-management. Although the discussion of generic economic notions such as 'profitability' and 'inflation' continued to be taboo in official documents, the story of Patay's income tax shows the ways in which central government's, local councils' and society's conceptions of the socialist economy were changing on macro-, meso- and micro-levels respectively, even before the beginning of widespread discussions about economic reforms in intellectual circles in the 1960s.

Economists have paid limited attention to direct taxes because of their presumed lesser fiscal significance in the economic management of socialist states.[7] János Kornai, for instance, argued in his account of mechanisms of centrally planned economies in the early 1990s that 'direct taxes paid by the general public [were] tiny compared with the other sources of budgetary revenue' in socialist economies.[8] His argument, similar to other scholars took

[5] *Országgyűlés Napló*, I. Kötet, 1-27. Ülés (1953. VII. 3.–1956. II. 11.) (Budapest, Országgyűlés, 1967, pp. 12–25).
[6] Béla Csikós-Nagy, *A Helyi Ipar Feladatai Az Új Kormányprogram Keretében* (Budapest: Jogi Kiadó, 1953).
[7] See Appendix B on the share of direct taxes in budget revenue in 1949–1956.
[8] Kornai, *The Socialist System*, p. 138.

mainstream economics as their point of departure and suggested that the importance of taxes is generally proportionate to their quantity on the revenue side of the government budget.[9] While a quantitative outlook is important, direct taxes were also essential to centrally planned economies in other ways than economists have conventionally considered. These can be discerned when we approach taxes from a qualitative standpoint, focusing on their social implications. Through taxes, states can influence the stability of the currency, express public policy by advantaging or disadvantaging certain social strata, subsidise or eliminate certain industries, and isolate and assess the costs of certain presumed social benefits or harms.[10] From this standpoint, taxes are political constructs, and decisions on the ways citizens should be taxed are essentially political acts. Through a closer qualitative analysis of taxes, a fuller picture can be drawn of the character of fiscally structured relationships among individuals, and between citizens and political regimes as well as of the economy that they together constitute.[11]

Direct taxes were primarily levied on the self-employed in communist states, yet no studies have explored the implications of taxes for private economic activities, informality and the general development of the second economic sphere.[12] Studies of Hungarian socialist small business suggest that it was the state which mostly allowed private property and private economic initiatives to become more important as a result of the legalisation of various mixed ownership forms and the introduction of other economic reforms in Hungary under János Kádár's term as First Secretary of the Communist Party after the failed revolution of 1956.

---

[9] Franklyn D Holzman, *Soviet Taxation: The Fiscal and Monetary Problems of a Planned Economy* (Cambridge: Harvard University Press, 1955), pp. 177–214; Raymond Hutchings, *The Soviet Budget* (London: Palgrave Macmillan UK, 1983), p. 36; Alec Nove, *The Soviet Economic System* (London: Allen & Unwin, 1987), pp. 236–37.

[10] Beardsley Ruml, 'Taxes for Revenue Are Obsolete', *American Affairs*, 8.1 (1946), 35–39 (p. 36); William Mitchell, Martin Watts, and L. Randall Wray, *Macroeconomics* (London: Red Globe Press, 2019), pp. 323–25.

[11] Cf. Yanni Kotsonis, *States of Obligation: Taxes and Citizenship in the Russian Empire and Early Soviet Republic* (Toronto: University of Toronto Press, 2016).

[12] Throughout the study I use 'informality' to denote various—illicit, tolerated or simply 'off-the-record'—economic practices that did not conform with the 'formal' codified requirements of the Hungarian communist regime or its institutions. On the concept of the 'second economy', see Gábor R. and Galasi.

This sociological literature focuses mainly on the study of the second economy and the development of informal economic practices (e.g. in the forms of general corruption, tips, gratuity payments to doctors and health care workers (*hálapénz*), and so forth) within general society as a result of reforms.[13] In a similar vein, Róna-Tas also argued that the private sphere became gradually more prominent in influencing socio-economic and political change in Hungary after the disintegration of universal state employment from the 1960s onwards.[14] These interpretations, however, are overwhelmingly state-focused accounts of historical change and limited in their scope to the 1960s, and especially, the post-1968 period under the ÚGM. These studies overlook continuities in the evolution of Hungarian communism and neglect to pay serious attention to private-sector production, informality and the negotiating powers of individuals working in the private sector, already prevalent prior to the reform socialist period from 1956 onwards.

This chapter will explore questions of socio-economic change, development and continuity in Hungary's postwar and 'classical socialist' periods between 1945 and 1956: during the short-lived democratic interlude of 1945–1948, Mátyás Rákosi's Stalinist dictatorship of 1948–1953, Imre Nagy's 'New Course' of 1953–1955 and the Muscovite-clique's return in power in the 1955–1956 period. It will look at taxation policy, tax assessment methods and practice, and the broader social consequences of taxes and their effect on the transformation of socio-economic structures from the vantage point of private business. I argue that direct taxes were crucial fiscal devices levied on the population by the communist regime to influence the socio-economic transformation of the country. Coercive taxes on independent businesses conditioned individuals' economic prospects to a high degree both under Rákosi's

[13] For a review of this literature, see Gábor R. and Galasi; Germuska, '„De Hát Eszerint a Szocializmus Bedobhatja a Törülközőt?". Második Gazdaság a Kádár-Korszakban'; Endre Sík, 'Egy Ló-Öszvér a Lovakról És a Szamarakról. Adalék a Második Gazdaság Hazai Eszmetörténetéhez', *Közgazdasági Szemle*, XLIII.7–8 (1996), 704–25.

[14] Ákos Róna-Tas, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of the Private Sector in Hungary* (Ann Arbor: University of Michigan Press, 1997).

Stalinist dictatorship and after, while simultaneously giving rise to various creative practices in economic self-management for those who attempted to retain their autonomy in the face of a centralising state.

I develop my argument as follows. I first assess how economic turmoil in the postwar period provided the Communist Party with an opportunity to reinterpret the purpose of taxes on both public and scientific platforms to lay the socio-economic foundations of their proletarian dictatorship. Second, I show the ways in which the communist state utilised various administrative and coercive techniques to appropriate wealth remaining in the private sector in the 1949–1953 period. Here, I also show how, despite the communists' short-term successes in drastically reducing the number of private businesses especially from the Second Party Congress in February 1951 to the beginning of Nagy's premiership in July 1953, their policy caused a backlash and began to provide a stimulus for individuals to circumvent administrational controls over their business activities, in particular, to evade their arbitrarily assessed tax obligations. Third, I show how political changes, namely the introduction of the Nagy government's reform programme in July 1953, resulted in a temporary imbalance between the central government, local councils and other public bodies which gave further space to individuals to resort to informal practices to maintain their private enterprise.

2. Postwar Recovery and the Communist Party's Rethinking of Taxes (1945–1950)

Between 1930 and 1945, under the regime of Miklós Horthy, the opposition kept the country's social inequalities and premodern economic structures on their agenda. With the end of World War II and the fall of the Horthy regime, these parties, ranging from the most popular centre-right-conservative FKgP to the Communist Party, were ready to take control of Hungary and implement reforms in the new political climate provided by the Soviet Red Army. Although the political programmes of these parties crucially differed on the extent of nationalisation and

the market economy, they generally agreed that reforming Hungary could not be delayed any longer. The land question, the reform of authoritarian political structures and the need to address unequal wealth distribution through a new progressive taxation policy were central themes in the programmes of all political parties.[15]

Against the backdrop of hyperinflation between July 1945 and July 1946, the subject of taxation gained more importance in postwar politics. At a time when consumer prices doubled every 15 hours, the communists seized the opportunity to reconsider the general purpose of taxes. In the communists' view, indirect taxes, especially those levied on consumption, were 'anti-social', while direct taxes were considered 'just' in the reallocation of wealth.[16] There was also wide agreement among party ideologists on the pages of the Communist Party's social-scientific journal, *Társadalmi Szemle* (Social Review) that taxes should not be levied mainly on sales of manufactured products but on capital goods and conspicuously luxurious individual lifestyles.[17] Instead of being seen as a means to rechannel a proportion of money to the government through a balanced combination of direct and indirect taxes, communists argued that the state should actively shape society by using direct taxes to either favour or disadvantage certain social strata through a political assessment of individuals'

[15] See the Communist Party's political programme (accepted as the joint programme of MNFF in December 1944): 'Magyarország demokratikus újjáépítésének és felemelkedésének programja', *Néplap*, 30 November 1944, pp. 1–2. Later the next year, in preparation for the parliamentary elections of 4 November 1945, the Communist Party, SZdP, and NPP all proposed progressive taxation in their political programmes, see, respectively, 'Magyarország újjáépítésének hároméves terve', *Szabad nép*, 23 September 1945, pp. 1–2; SZdP, *A Szociáldemokrata Párt Munkaterve Magyarország Gazdasági, Politikai És Szellemi Újjáépítésére* (Budapest: Világosság, 1945). and A Nemzeti Parasztpárt programja, 'A Nemzeti Parasztpárt Programja (1945. Szeptember 1.)', in *Magyarországi Pártprogramok 1944-1988*, ed. by Sándor Balogh and Lajos Izsák (Budapest: ELTE - Eötvös Kiadó, 2004), pp. 54–64. FKgP, on the other hand, decided not to publish a detailed proposal as it considered Hungarian society to have already agreed on remedying economic issues. It deemed instead that the election would be about the public's decision on the ideology of Hungary's future administration. See István Vida, *A Független Kisgazdapárt Politikája 1944-1947* (Budapest: Akadémiai Kiadó, 1976), pp. 89–90.

[16] István Antos, 'A Pénzügyi Kibontakozás Útja', *Társadalmi Szemle*, I.3 (1946), 176–83 (p. 183); Liping, p. 107.

[17] Aladár Mód, 'Az Újjáépítés Gazdasági Politikája', *Társadalmi Szemle*, I.1 (1946), 13–21; Aladár Mód, 'A Költségvetési Vita Mérlege', *Társadalmi Szemle*, II.4 (1947), 255–66; László Hajmási, 'Harc a Forintért', *Társadalmi Szemle*, I.7 (1946), 511–16; Ernő Gerő, 'Magyarország Gazdasági Újjáépítésének Feltételei', *Társadalmi Szemle*, I.4 (1946), 247–55.

observable wealth.[18] The communists used their redistributive tax programme to gain popular support. At a time when government revenue barely covered ten percent of expenditure, communist rhetoric emphasised socio-economic inequality, contrasting the lifestyles of the 'wealthy' with those of 'the working people', and claimed that the increased hardships of hyperinflation were exacerbated by 'hoarding', 'black marketing' and 'speculation'.[19] To make a case for their policy to levy special taxes on the 'rich', the communists argued that the currency's depreciation was, in practical terms, a form of taxation which had the gravest consequences for the livelihoods of state-employed workers and other salaried personnel.[20] *Fizessenek a gazdagok* ('make the rich pay') was the communists' main slogan in 1947, appearing almost daily between May and September on the pages of the communist paper *Szabad Nép* (Free People). The question of who was considered rich was answered, among others, by the then 19-year old János Kornai, later a renowned economist, who listed the most conspicuous characteristics of the wealthy when compared to labourers, in an article in *Szabad Nép* in October 1947.[21] The article appeared under an illustration in which 'speculators' and 'black marketeers' were presented as rats, wearing top hats and smoking cigars.

Generally, the communists treated artisans and merchants, together with small and middle peasants, in sharp contrast to the 'wealthy' in communist propaganda at the time. Both the *illetménytöbbletadó* (surtax) of July 1946 and the one-time *vagyondézsma* (capital levy) on gross wealth exceeding 75,000 forints per capita, introduced in August 1947, were intended to address the top-earning segments of Hungarian society.[22] These special taxes generally left small-scale businesses intact. In order to win the support of small business owners, communists

[18] 'Fizessenek a gazdagok', *Szabad Nép*, 11 April 1945. p. 1.
[19] William A. Bomberger and Makinen, pp. 804–5.; 'Stabilizáció', *Szabad Nép*, 14 July 1946, p. 1.
[20] Jenő Varga, 'Infláció – Stabilizáció', *Tarsadalmi Szemle*, 1.7 (1946), 481–88 (pp. 484–85).
[21] János Kornai, 'Kik a Gazdagok?', *Szabad Nép* (Budapest, 18 October 1947), p. 5.
[22] Decree of the Prime Minister No. 8.750 of 1946 in *Magyar Közlöny*, II., 31 July 1946, 172/b., pp. 3–4; and Decree of the Government No. 10.130 of 1947 in *Magyar Közlöny*, III., 20 August 1947, 188., pp. 2409–17.

claimed that the progressiveness of their new taxation policy shielded the independent low-income population in the private sector from the unfavourable effects of direct taxes.[23] Statistics show that direct tax payments per head in the capital in May 1947 on average totalled 46,61 forints, almost nine and a half times higher than the countryside's 4,96 forints.[24] These significant variations in individuals' average tax payments between capital and countryside suggest that the higher-income population, which was mostly concentrated in Budapest after the land reform of 1945 in which large land holdings were expropriated and redistributed, was successfully targeted through the tax system, and that the communists were only gradually moving to address self-employed members of society through direct taxes as the nationalisation of the economy was reaching its peak after 1949.[25]

In reconstructing the economy, the strict collection of direct taxes was used consistently to balance the government budget and to maintain the new currency's stability.[26] During the postwar period, however, the range of tax subjects liable to direct taxes in the private sector continued to shrink as the nationalisation of the economy proceeded. Collective contracts between trade unions, enterprises and the state legally bound these parties to pay their workers and civil servants within given wage ranges and gave employers the responsibility of handling payment of income tax on behalf of their workforce from as early as April 1945.[27] Thus, in the 1945–1948 period, the communists predominantly relied on their large-scale nationalisation policy to expand their power over the private economic sphere, while new direct taxes were used to force Hungary's wealthier population to contribute to the country's reconstruction.

---

[23] 'Tiszta frontokat!', *Szabad Nép*, 29 May 1947, p. 1.

[24] Gyula Szőnyi, 'Egyenesadók És Forgalmi Adók Hozadéka', *Magyar Statisztikai Szemle*, 25.7–8 (1947), 253–64 (p. 261).

[25] On the composition of Hungary's interwar society, see Gábor Gyáni and György Kövér, *Magyarország társadalomtörténete a reformkortól a második világháborúig* (Budapest: Osiris, 2006). On the socio-economic effects of the land reform, see Ferenc Donáth, *Demokratikus Földreform Magyarországon, 1945-1947* (Budapest: Akadémiai Kiadó, 1969), pp. 390–93.

[26] William A. Bomberger and Makinen, p. 816.

[27] 'Eddig még nem fordult elő Magyarországon...', *Szabad Nép*, 25 April 1945, p. 2.

After their takeover in 1948, the communists began to use direct taxes to fine-tune their envisaged ideal society in which private capital was to cease to exist. István Antos, one of the Communist Party's chief economists, for instance, argued in 1948 that it was unfeasible to shift the tax burden towards large estates in the three-year reconstruction plan (1947–1949) because of the communists' land reform of March 1945. He also argued that a significant proportion of industry had already been nationalised by 1948, which implied the reduction of wealthier strata who had already been levied extra taxes by this time. Indicative of the party's future policy, he noted that small-scale industry remained almost intact in places where a significant proportion of revenue was generated in 'private capitalist workshops'.[28] The political leadership accepted, out of necessity between 1945 and 1946, and decided willingly, for political reasons, after June 1947, to rely on the country's own productive base for reconstruction as the Soviet Union forbade Hungary to participate in the Marshall Plan and no equivalent was available to fund postwar reconstruction and development.[29]

Hungary's approach to reconstruction was not atypical in postwar Europe up to 1947 as other nations in the West similarly used special taxes levied on the wealthy, economic planning and the nationalisation of various industries to redistribute national income and improve the general standard of living.[30] Fiscal policy and reform of the taxation system were similarly used to fight inflation and to fund the rebuilding of their economies.[31] In the

[28] István Antos, 'Az Új Költségvetés', *Társadalmi Szemle*, III.2 (1948), 103–8 (pp. 107–8).

[29] For a more detailed history of events, see Ránki, *Magyarország Gazdasága Az Első 3 Éves Terv Időszakában: 1947-1949*.

[30] Iván Berend T., *An Economic History of Twentieth-Century Europe: Economic Regimes from Laissez-Faire to Globalization* (Cambridge: Cambridge University Press, 2006), p. 216; Kenneth Scheve and David Stasavage, *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* (Princeton, N.J.: Princeton University Press, 2016), pp. 89–92.

[31] On the use of fiscal policy in postwar Europe, see Alec Cairncross, *Years of Recovery: British Economic Policy 1945-51* (London: Methuen & Co., 1985), pp. 17–20; Martin Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914–1979* (Cambridge: Cambridge University Press, 2002), pp. 194–228; On tax system reforms, see John D'Attoma, 'Explaining Italian Tax Compliance', in *The Leap of Faith: The Fiscal Foundations of Successful Government in Europe and America*, ed. by Sven H. Steinmo (Oxford: Oxford University Press, 2018), pp. 106–27 (p. 119); Frances M. B. Lynch, *France and the International Economy: From Vichy to the Treaty of Rome* (London: Routledge, 1997), pp. 79–85.

Hungarian case, there was a general agreement within the MNFF from the end of the war until at least the parliamentary elections of 4 November 1945 to remedy socio-economic inequalities through direct taxes.[32] While in the 1945–1948 period an individual's wealth determined their tax burden, after 1949 the communists began to articulate that private property was a source of inequality for 'reinforcing capitalism' and had to be sanctioned accordingly.[33] Although a relatively high level of social engineering through the tax system was already exercised by the Hungarian state in the immediate postwar period, radical changes were only made to the tax-collection system after the introduction of the first council law in May 1950 which established the Soviet-style local governance system and became a vehicle of eliminating small private businesses in Hungary.[34] Since the communists had assigned taxing powers exclusively to the state already in 1948, the first council law of 1950 only sealed councils' fiscal subjection to the central government by degrading them to be 'local organs of state power' according to the Leninist principle of 'democratic centralism'.[35] The first council law abolished local governments' fiscal autonomy and subordinated councils to the Ministry of Interior opening the way for the communist state to impose unrestricted fiscal control over small businesses.

3. Direct Taxes, the Sanctioning of Private Entrepreneurship, and the Breakdown of (Over)centralised Planning (1950–1953)

3.1. Property, Tax, and Public Administration Reforms

[32] All popular front parties considered direct taxation as a legitimate means to correct socio-economic inequalities in post-war Hungary. For more on these programmes, see citation 15.
[33] MNL OL M-KS 276. f. 112. 52. ő. e. 'A kisipar ötéves terve, valamint a kisipari szövetkezetek helyzete (1950. április 18.)'
[34] Decree No. 1. of 1950 in *Magyar Közlöny (Törvények és törvényerejű rendeletek tára)*, VII., 18 May 1950, pp. 107–12.
[35] István Feitl, 'Áttérés a Tanácsrendszerre a Fővárosban (1948–1953)', *Múltunk*, 54.3 (2009), 32–82 (p. 44). See Hungarian Constitution 1949, ch. 5.

After the nationalisation of large enterprises (employing more than 100 workers) had been completed by 1948, the communists shifted their attention to privately owned small and mid-sized businesses. Artisans' and merchants' private ownership of capital goods became an often discussed question in leading party circles; however, the party wanted to avoid direct confrontation with small business-owners at the time.[36] The communists saw the artisanry in 1949 within their schematic class model based on a unity of workers, peasants and the intelligentsia. One part of the artisanry was seen as 'exploiters' who employed others and the other as 'workers' who exclusively used their own capacity to labour. While the Communist Party considered the elimination of the former group necessary, it imagined the latter to form a separate unit that could be persuaded to support the building of communism.[37] Although the party publicly deemed the application of coercive measures unnecessary until 1949 to nationalise 'non-exploitative' small private businesses, in the succeeding years, and especially after the Communist Party's Second Congress in February 1951, the party took a harder line in pursuing its economic objectives.[38]

In the months following the 1951 congress, several revisions were made to the first five-year plan (1950–1954) that resulted in increased investment in heavy industry and military production at the expense of the agricultural sector and small-scale industry.[39] In order to fund

[36] 'Kisiparunk az ötéves tervben' *Szabad Nép*, 30 December 1949, p. 3; 'A kiskereskedők munkájára szükség van!' *Szabad Nép*, 31 December 1949, p. 3.

[37] MNL OL M-KS 276. f. 53. 25. ő. e. 'Előterjesztés a Politikai Bizottsághoz a kisipari szövetkezetek kérdéséről 1949. április 14', pp. 59–60.

[38] Undoubtedly, the Communist Party's long-term strategy was the elimination of private property in Hungary. For instance, in the agricultural sector the state had already enforced compulsory deliveries and increased the tax burden to facilitate the collectivisations prior to 1949. On this aspect and its socio-economic consequences, see *Magyar Dúlás. Tanulmányok a Kényszerkollektivizálásról*, ed. by István Galambos and Gergely Krisztián Horváth (Budapest: MTA Bölcsészettudományi Kutatóközpont – Nemzeti Emlékezet Bizottsága, 2019); Gyula Erdmann, *Begyűjtés, Beszolgáltatás Magyarországon 1945-1956* (Békéscsaba: Tevan Kiadó, 1993); Sándor Balogh and Ferenc Pölöskei, *Agrárpolitika És Agrárátalakulás Magyarországon, 1944-1962* (Budapest: Akadémiai Kiadó, 1979). For a display of the various uses of administrational measures to eliminate private businesses, see Béládi Olívia, 'A kisipar és kiskereskedelem államosítása Pesterzsébeten', *Múltunk*, 58.4 (2013), 63–101.

[39] Germuska, 'Szocialista Csoda? Magyar Iparfejlesztési Politika És Gazdasági Növekedés, 1950-1975', pp. 50–53.

Hungary's heavy industrialisation and militarisation, PM and NT began to increase tax revenue targets in their quarterly taxation plans from 1951 to increase pressure on councils to fulfil their directives. From this time on, the employment of workers or the ownership of capital goods were not the only relevant factors in the taxation of small business; whether private economic activity was considered by local authorities to be 'complementary to the state sector from the perspective of the people's democracy' was also key'.[40]

The Soviet-style council system was essential for the implementation of the communists' taxation policy. While in the 1948–1950 period self-governments preceding the Soviet-style council system mainly targeted larger private businesses in a haphazard fashion, in the 1951–1953 period, the new local councils were more focused in their application of the tax policy.[41] The introduction of the *adórészesedési rendszer* (tax-share system) in January 1951 in the countryside and in July 1951 in Budapest incentivised councils to use taxation as a means of compelling private workers to join collectives, in return for a share from taxes collected.[42] While the central government subsidised individual councils' budgetary expenses until January 1951, the introduction of the tax-share system changed this practice by compelling councils to fund their budgets exclusively from the taxes they collected. Apart from motivating councils to develop a collective interest in meeting their plans, the new system gave a crucial fiscal stimulus to council authorities on an individual basis as well. For instance, councils received monetary bonuses from the central government when they fulfilled their tax collection targets. While three-quarters of this sum could be put towards sports and cultural initiatives, 25 per cent had to be spent on cash rewards to persons who provided significant

[40] MNL OL XIX-L-1-aa/248d. 'A lakosság 1951. évi közvetlen adóterhének kialakítása és a kivetés módszere (1951. július 16.)'
[41] Béla Csikós-Nagy, *Helyi Iparunk a Fejlődés Útján* (Budapest: Könnyűipari Kiadó, 1954), p. 53.
[42] MNL OL XIX-L-1-aa/247d. 'Az adórészesedés újabb szabályozása (1950. szeptember 4.)'

assistance to their councils to meet their fiscal targets.[43] This administrative mechanism not only attempted to motivate councils and their staff in their daily work but also to exceed their already high taxation targets—with great success, as concluded by a PM report in 1952.[44] By early 1952 both the chairman of Budapest City Council VB and representatives of PM openly admitted that taxes were to serve a political purpose, that is, to eliminate those private businesses which local councils deemed unnecessary.[45] In September 1952 the head of the Budapest City Council's Finance Department reported that the number of small-scale businesses subject to income taxes decreased by 40,000 people, yet authorities increased the city council's assessment target from 144 million forints in the fiscal year of 1951 to 175 million forints in 1952. As the executive explained in his report, this decision intended to restrict private activities to an even further degree than had already been achieved by this time.[46] It proved to be a successful strategy: a former tax official who emigrated to the West later admitted to his interviewer in 1956 that it was widely known that unbearably high taxes—paired with tax inspectors' 'constant harassment through confiscation, house searches and execution [of court orders]'—had a significant role in forcing people out of the private sector and into collectives at this time.[47]

Taxation, similarly to other fiscal measures at the time, was used to support Hungary's industrialisation in order to control demand and prevent inflation, thus maintaining currency stability. In order to finance Hungary's ambitious militarisation plan, the tax burden on kulaks

[43] Ten per cent of the premium was paid out for fulfilling the plan between 100 and 110 per cent, 15 per cent for 110–120 per cent and 25 per cent for anything over 120 per cent. See BFL XXIII.102.a.1. '1951. június 29. – 8.b. Bejelentés az adórészesedésről', p. 128.

[44] MNL OL XIX-L-1-aa/249d. 'A helyi tanácsok adórészesedésének alakulása (1952. február 25.)'

[45] BFL XXIII.102.a.1. '1952. január 25.–2. Jelentés az 1951. évi adóbevételi terv teljesítéséről és az 1952. I. negyedévi terv összeállításáról', p. 75.

[46] BFL XXIII.102.a.1. '1952. szeptember 25.–6.f. Jelentés az adókivetésekről és a fellebbezésekről', p. 137.

[47] OSA 300-40-4:18/26. Item No. 9585/56. 'Tax Policy and the Farmers', p. 3. Sources from the *Radio Free Europe/Radio Liberty* Research Institute's collection are unique. Interviews conducted with Hungarian émigrés give an insight into individuals' conceptions of private economic practices and everyday experiences during the early socialist regime in Hungary. In contrast with other archival sources, they are generally trusted to be representative of the period. See the 'sources' section in the thesis' introduction for more.

and other private-sector workers was raised throughout 1952.[48] Broadening the definition of kulak served this purpose. In the case of Budapest, for instance, when district councils could not find satisfactory numbers of kulaks to meet the interior minister's order of drawing up new kulak registers, the city council's revision committee intervened to 'realise the decree's political significance' and added new names to the list.[49] The definition of 'kulak' was thus swiftly transformed, from private farmers whose land ownership exceeded 25 *kataszteri hold* (kh) in 1949, to include almost anyone who gained an income in the private sector by 1953.[50] Even after July 1953 when the moderate Nagy took over as prime minister from the hardline Rákosi, authorities considered the removal of individuals from the kulak register as a legitimate compensation for their confiscated working equipment, as discussed later in this chapter. The number of private businesses fell sharply from 180,087 in December 1948 to 46,199 in February 1953 through the gradual linkage of ideologically grounded economic policy and institutional reforms in local government.[51]

3.2. Implementing the Income Tax Reform

A report investigating physical violence and threats during the assessment and collection of taxes reveals the social dynamics and institutional hierarchies in place between the communist state, state enterprises, the higher ranking county councils, and district and village councils and their residents in Kecskemét District in 1951–1952. István Szujovszki, a former accountant in the village of Lajosmizse, explained in January 1954 during his interrogation by Kecskemét District Council, ordered by the Imre Nagy Secretariat upon the complaint of István Szórád

[48] MNL OL XIX-L-1-aa/249d. 'A lakosságot terhelő egyenes adó kivetési eredményéről (1952. augusztus 4.)'
[49] BFL XXIII.102.a.1. '1952. december 26.–4.a. A kulákok összeírásáról és listába foglalásáról', pp. 252–55.
[50] 1 kh = 1,42 English acres. For the interior minister's circular sent to councils on how to define 'kulak', see, MNL OL XIX-B-1-q/25d. 0046/2/1952.II.ü.cs. 'Belügyminiszter Házi Árpád levele valamennyi megyei és a budapesti városi tanács VB elnökének (1952. szeptember 27.)'
[51] KSH, *Magyar Statisztikai Zsebkönyv 1956.* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1956), p. 80.

after the Nagy government had abolished kulak registers in summer 1953, that the arrival of a man named Faragó, a representative of the state-owned Wine Trade Enterprise, caused concern among authorities in his village in winter 1952. Faragó came with clear instructions from the Bács-Kiskun County Council's Finance Department to confiscate all available wine stock belonging to 'kulaks' in the area. When local authorities questioned him on how to proceed in cases when individuals had no outstanding dues or even a credit balance—in a particular case, a farmer had was 1,806 forints in credit—Faragó reassured everyone that his instructions were explicit and that all taxes must be increased to assist his work of confiscating wine stock from kulaks. Szujovszki explained that he had even made a call to the district council to confirm Faragó's claim and had been warned not to hesitate in carrying out his orders, as the county council's directive had to be executed by all means. Szujovszki said he knew that what he was being instructed to do was unlawful, so instead of adding punitive taxes, he credited the value of the wine stock to the abovementioned farmer's tax balance, making him 6,141 forints in credit as a compensation for the confiscation. He said that it was a standard procedure at the time and that hundreds of similar incidents had taken place in his area.[52]

Meanwhile KIOSZ, the organisation nominally 'representing' artisans' interests, which had estimated its members' turnover taxes along centrally established plans and submitted them for approval to county councils since 1948, also clashed with councils both during high Stalinism as well as in the period of Imre Nagy's premiership.[53] According to KIOSZ's local organisation in Bács-Kiskun County in August 1953, Kecskemét District Council put the blame of estimating higher taxes on KIOSZ in their communications with artisans. Moreover, according to the KIOSZ Bács-Kiskun County local organisation's report on the general mood of artisans following the announcement of the Imre Nagy government's reform programme,

[52] MNL OL XIX-A-2-v/16d. Case number: 4710/1953. 'Szórád István levele Nagy Imre Titkárságnak (1953. november 23.)'

[53] On the socialist state's income and turnover taxation system, see Közgazdasági Technikum Pénzügyi Tagozat, *A Lakosságtól Származó Adóbevételek* (Budapest: Pénzügyi Kiadó, 1953), pp. 58–59.

councils often overrode KIOSZ's recommended tax estimates and levied taxes arbitrarily during the summer of 1953. For instance, in the cases of the artisans Pál Szabó, István Halmi and József Péli, Lajozsmizse Council nearly tripled KIOSZ's official estimates from an average of 2,200 forints to 5,900 forints. In other cases, in Kecskemét and Kiskunhalas, south of Budapest in Bács-Kiskun County, local councils reduced the tax levied on some of the higher-earning artisans and moved the balance to the accounts of other artisans who should have contributed less according to KIOSZ. When a KIOSZ representative asked Kiskunhalas Council why this practice occurred all over the county, Krammer, a council accountant from Kiskunhalas City Council's Finance Department, explained that taxes had to flow in cumulatively and what had been deducted in one case had to be added to someone else's account.[54]

In this way, councils not only excelled in fulfilling their centrally administrated planning directives but also in targeting individual artisans, often in a subjective manner. Between June and early July 1953, Kecskemét City Council's Finance Department even advised their artisans not to pay their taxes to KIOSZ's tax community as they presumably expected the Rákosi government to dissolve the organisation; however, following the demotion of Rákosi on 4 July, this did not happen.[55]

The above account of formal interactions among authorities shows the way in which the Soviet-style council system introduced a new and rather disorganised institutional hierarchy to Hungary's local governance system. In this new system, county councils, along with the Budapest City Council, ranked the highest and city-district and village councils the lowest, while KIOSZ was gradually marginalised in the assessment of taxes. Higher ranked councils

[54] MNL OL XXVII-F-3/135d. 'Részletek a Bács-Kiskun megyei Titkárság 1953. augusztus 8-án kelt. 6/42/953. számú hangulatjelentéséből'
[55] MNL OL XXVII-F-3/135d. '33/10/1953. Jegyzőkönyv. Felvétetett 1953. július 2. a KIOSZ Megyei Titkársag irodahelyiségében'

exercised control over those below them and also served as courts of appeal.[56] As a result of these institutional reforms, between the establishment of the Soviet-style council system in May 1950 and the abolition of the Ministry of Interior's supervision over councils in July 1953, authorities could easily exert direct control over individuals and their businesses through taxation. For instance, Ambrus Szekeres, a tradesman from Farmos, was first warned in person by a tax inspector that he had accumulated 2,358 forints in arrears on his tax account in 1952. Although Szekeres explained that his local council had recently returned 400 forints of overpayment to him, he received a warrant in the following days stating that he now owed, on top of the 2,358 forints, an additional 7,300 forints of fines to the tax authorities. A local communist party member visited Szekeres again, suggesting that he offer his carbonated water plant to clear his debt.[57] Lacking the finances to settle his imposed debt towards the state, Szekeres signed a waiver of property rights. Shortly after this event the council cleared 719 forints of turnover tax and the 7,300-forint penalty from Szekeres' account, while 1,639 forints were paid out to him, leaving him now to repay precisely the remaining identical sum left in his arrears: 1,639 forints. The council's cunning tax calculation shows that direct taxes during Hungarian Stalinism between 1949 and 1953 served two purposes: to confiscate capital equipment and to compel individuals to join manufacturing cooperatives. Surtaxes were constructed in a way to reflect neither the real value of equipment nor a realistic penalty for non-payment of tax. Moreover, as the above case demonstrates, in most cases non-payment of

[56] This was referred to as *kettős alárendeltség* (double subordination) in legal language, meaning that local councils were subordinate both to the central authorities and to council immediately above them in rank. The system went through several changes throughout the socialist period after the introduction of the first council law in May 1950. First, with the second council law in 1954, and subsequently, the third council law in 1971. In essence, councils' 'double subordination' meant very little independence from central authorities, especially in the early 1950s. See MNL OL XIX-L-1-aa/247d. 'A megyei, járási, városi és községi pénzügyi szervezet kiépítése tárgyában (1950. március 27.)'

[57] The local party member was carrying out NT's Decree No. 409/1952. The instruction of the decree used the 'reviewing of tax arrears of carbonated water plant owners' as a pretext to nationalise businesses. See MNL OL XIX-B-1-q/26d. 0055/1952. 'Magántulajdonban lévő szikvízüzemek megvásárlása (1952. szeptember 29.)' and BFL XXXV.95.d/35d. 234. ő. e. 'Tájékoztató a Népgazdasági Tanács magándarálók, magánszikvízüzemek felvásárlására és a sütőipar átszervezésére vonatkozó határozatairól (1952. szeptember 23.)'

taxes did not constitute a basis for surtax assessments. Instead, the condition of the private ownership of capital goods served more frequently as the basis for councils to assess punitive taxes during Mátyás Rákosi's Stalinist dictatorship until 1953. Even in March 1954, nine months after the announcement of Imre Nagy's reform programme, the city council deemed Szekeres' transaction legal, as Szekeres had 'voluntarily offered his plant for purchase' and in exchange 'received 9,658 forints compensation' cumulatively to settle his 'overdue debt' to the state.[58]

3.3. The Limits of State Authority and the Development of Informal Practices in Economic Self-management

The state's extended authority over individuals' finances under Rákosi's tenure as party General Secretary remained porous. The arbitrariness of councils' tax assessments as well as the coercion and harassment of artisans and small business compelled many to find ways to contest state authority inflicted upon them.[59] Freedom in the use of one's labour was a key factor in earning a higher income in the private sphere than would have been possible in the state sector.[60] For instance, due to the lack of specialised employment opportunities in state-owned large scale industry, local state industry still represented the sole source of legal employment for those who were elderly or had a medical condition that could not be accommodated elsewhere.[61] Accordingly, many referenced their age and chronic conditions in formal communications with authorities to explain their reluctance to take up a job in large

[58] MNL PML XXIII.3.b/3d. Case number: 772/1953. 'Szekeres Ambrus levele a Magyar Rádióhoz (1954. március 14.)'

[59] According to a former tax inspector, it was widely known that authorities would assess taxes arbitrarily, 'only by looking at one's face'; see OSA 300-40-4:18/26. Item No. 9585/56, 'Tax Policy and Farmers', p. 3.

[60] OSA 300-40-4:18/26. Item No. 1190/64, 'Problems of Private Business in Hungary', p. 3.

[61] Csikós-Nagy, *Helyi Iparunk a Fejlődés Útján*, p. 12. Local industry remained relatively disorganised throughout the 1950s. Enterprises under the supervision of local councils, manufacturing cooperatives, and private small-scale industry, including independent artisans who owned a workshop, domestic artisans who worked in their homes and migrant artisans who travelled between villages for work all fell under this category. See Béla Gervai, *A Kisipar Fejlődése, Helyzete És Szerepe Népi Demokráciánkban* (Budapest: Kisiparosok Országos Szervezete, 1960), pp. 113–14..

scale industry.[62] On this basis, artisans often requested outworker status to work exclusively from home for a homecraft cooperative and, through the 'tacit acknowledgement of councils', privately doing informal work at their clientele's homes in the case of service providers.[63] Working at a homecraft cooperative had the advantage of providing people with a 'pseudo occupation' which rendered them 'workers' on state records and helped them to show a validated employment to authorities. In this way, artisans could continue working from home and preserve their freedom over their labour-time.[64]

Paradoxically, the state's increased authority over the finances of individuals played a part in facilitating second-economy activities as the private sector shrank.[65] A cosmetician explained that although her formal wage at a homecraft cooperative was 'desperately low', she was able to take advantage of the high demand for cosmetic products and services in Budapest even before reforms of the Imre Nagy government in July 1953. Her daughter sent her Western cosmetic products from Canada and she continued to work privately for her clientele in her apartment. To gain more time for private sector work, she 'subcontracted' ('*albérletbe adta*') her job informally to an elderly couple marginalised by the communist state. This way her norms were always completed on time and she could present herself as committed to the cooperative while carrying out illegal work in the private sector.[66] Others seeking income in the private sphere were not only disadvantaged by the near non-existence of raw materials but also by all aspects of the taxation system.[67] An independent hatter's family could only make

[62] See, for instance, OSA 300-40-4:19/5. Item No. 10596/52, 'Life of an Independent Electrical Technician' p. 2.; MNL OL XIX-A-2-v/8d. Case number: 2211/1953 'Giber Alfonz levele a Minisztertanácshoz (1953. szeptember 15.)'; MNL OL XIX-A-2-v/16d. Case number: 4673/1953. 'Nagy János levele a Minisztertanácshoz (1953. december)'

[63] OSA 300-40-4:6/24. Item No. 7341/55, 'An Independent Dressmaker's Work in Communist Hungary', p. 2. and OSA 300-40-4:19/5. Item No. 4537/56, 'Life in Budapest', p. 3.

[64] OSA 300-40-4:6/24. Item No. 3213/54, 'Private Cosmeticians' Situation in Budapest', p. 3.

[65] OSA 300-40-4:18/26. Item No. 10485/54, 'An Independent Artisan's Life in the People's Democracy', pp. 4–11.

[66] OSA 300-40-4:6/24, Item No. 3213/54, 'The Situation of Private Cosmeticians in Budapest', p. 3.

[67] MNL OL XIX-L-1-aa/251d. 'Előterjesztés a kisipar és a kiskereskedelem adóztatásáról (1954. december 16.)'

ten forints on each manufactured hat sold in their workshop in this period. Their raw materials quota in 1953 only covered one-tenth of their workshop's requirements.[68] In order to keep their business afloat, they purchased further fabrics through a dealer by paying 20–30 per cent above official prices on the black market. Later they switched to another supplier to circumvent the middleman, thus managing to save six to eight forints on each order of fabrics.[69] In communist legal parlance, selling goods at a higher rate than that established by the Planning Bureau was labelled a 'price-boosting activity', which entailed serious retribution when uncovered in the 1951–1953 period. Despite this risk, increased production costs were often reflected in prices of commodities sold in private workshops.[70] The hatter's family declared less income and evaded taxation to cover their black-market purchases of materials.[71]

Even though both the income tax law of 1949 and its 1951 amendment allowed tax subjects to formally appeal tax assessment decisions, artisans had the common experience of councils routinely raising dues on receiving appeals in the 1951–1953 period.[72] A female dressmaker commented on this practice to her interviewer after fleeing to the West in the following way:

> The 400 forints profit per month that I declared, of course, did not reflect reality. The authorities knew this just as well as I did. It is common practice in Hungary that independent workers swindle wherever they can. Nobody would change this and nobody finds anything wrong with it. One of my acquaintances had a lingerie-sewing workshop on Fehérhajó Street. This poor woman had tried to be too honest and declared each of her earned fillérs [the subunit of the forint]. The tax levied on her business thus exceeded her gross income. It seems as if the authorities operated under the assumption that she already evaded her taxes so they levied more on her business than what she earned in total. The result was that she had to give up her artisans' licence and today she lives from renting out her workshop.[73]

---

[68] OSA 300-40-4:18/26, Item No. 10162/54, 'Troubles of an Independent Hatter in Kapuvár', pp. 1–3.

[69] OSA 300-40-4:18/26, Item No. 10162/54, 'Troubles of an Independent Hatter in Kapuvár', p. 4.

[70] Gervai, p. 246.

[71] OSA 300-40-4:18/26, Item No. 10162/54, 'Troubles of an Independent Hatter in Kapuvár', pp. 5–7.

[72] See Decree of the Government No. 13.400 of 1948 in *Magyar Közlöny (Rendeletek Tára)*, V., 7 January 1949, 4–5, pp. 61–8; and Decree of the Council of Ministers No. 42 of 1951 in *Magyar Közlöny*, VII., 11 February 1951, 22–24., pp. 117–21.

[73] OSA 300-40-4:6/24. Item No. 7341/55, 'An Independent Dressmaker's Work in Communist Hungary', p. 3.

Artisans often contested the state's fiscal authority over their business by evading taxes.[74] Declaring a lower figure than the actual turnover of one's business allowed individuals to negotiate an equitable tax rate through formal channels:

> We declared 700–750 forints profit officially [a month]. Whether they believed that an artisan can make a living out of selling 240 hats, and repairing a few shabby hats for a whole year, I do not know. I presume that they did as they never initiated any inspections or proceedings against us. Had they looked at the post office, they would have certainly noticed that we often received packages in various sizes to our address; from this, they could have guessed that we received raw materials illegally. Luckily, however, they did not think of this. The reality is that our monthly income was approximately 2,500 forints per month. On average we sold 200 hats in a month. The rest came in from repairing them.[75]

Both of the above cases indicate that artisans at the time generally lost their trust in local authorities and felt it necessary to evade taxation to survive. Social contract theory holds that taxation generally represents a social institution on an abstract level between a sovereign (a state, a government or a monarch) and its citizens.[76] This hypothetical contract supposedly assigns states the task of creating prosperity in exchange for which citizens willingly give up a proportional amount of their income to the state budget. Communism was built specifically on such an explicit promise to create a fairer and more just society than that offered by the bourgeois state.[77] Instead of the state collecting a proportional amount of a private property owner's financial income through the tax system, state-employed citizens in a socialist state contributed to the building of communism exclusively through their own labour, using 'socialised' capital equipment in exchange for centrally set wages. Increasing the direct tax burden of the so-called 'capitalist elements' was theoretically considered a source of funds for

[74] See a private watchmaker's similar experience in 1952 in OSA 300-40-4:19/5. Item No. 07029/52, 'Business and Private Expenses', p. 2.
[75] OSA 300-40-4:18/26, Item No. 10162/54, 'Troubles of an Independent Hatter in Kapuvár', p. 6.
[76] *Taxation: Philosophical Perspectives*, ed. by Martin O'Neill and Shepley W. Orr (Oxford: Oxford University Press, 2018).
[77] Kotkin; Lebow.

Hungary's industrialisation.[78] As a punitive tax-burden regime was placed on the private sphere in the name of communism, direct taxes in practice became less important as government revenues than as an exercise in social engineering, with the ultimate goal of crushing private businesses and transforming Hungary's traditional employment structures. Taxes in this period were a means for the communist state to rethink forms of ownership on a larger scale than ever before and to subject private activities to strict state authority on collectivist grounds. This compelled people to question the social foundations of their taxes and prioritise their own material wellbeing, which was consistently precarious at this time. Although local councils practised various modes of persuasion, they used direct taxation most vigorously to manipulate people's sense of legitimacy about actions taken against them, as many of the complaints and petitions received after the introduction of partial reforms on private small business by the Nagy government from July 1953 attest.[79] The events described above, which took place between 1951 and 1953, shed light on two opposed yet parallel understandings of economic justice in Hungary. One was the communist state's collectivist conception; the other, the individualism of many of its citizens. Each was fundamentally linked to the two sides' differing views on property rights and ownership forms.[80]

4. Political Reforms, the Revival of the Private Sphere, and the Spread of Informality (1953–1956)

4.1. Partial Reforms and Vacuums of Power in Public Administration

Tax evasion continued to spread following the announcement of Imre Nagy's reform programme on 4 July 1953 in parliament. Although the report of a special committee

[78] István Friss, 'A Szocialista Iparosítás Elvi Kérdései', *Magyar-Szovjet Közgazdasági Szemle*, V.1 (1951), 21–40 (p. 31).
[79] See letters from individuals in the files of the Imre Nagy Secretariat: MNL OL XIX-A-2-v.
[80] For a further theorisation on economic and distributive justice *vis-à-vis* property rights, see Liam Murphy and Thomas Nagel, *The Myth of Ownership* (Oxford: Oxford University Press, 2002).

investigating errors in the taxation system concluded that it was incapable of determining clear and just taxes, the new regime decided to leave the structural foundations of the tax system largely unchanged.[81] Accordingly, direct tax rates as well as tax estimates remained disproportionately high in the private sector relative to businesses' manufacturing and operating expenditures.[82]

While the new regime preserved the 1951 tax law with its steep progressivity, it also set out to foster private sector activities through the gradual loosening of centrally administered constraints as part of its welfare agenda. For instance, from July 1953 the new government made it easier for artisans to obtain licences to work privately and increased private businesses' raw materials quota to revitalise small-scale production.[83] As a result of this policy, the number of artisans working privately more than doubled, from 46,199 in February 1953 to 103,922 in December 1954.[84]

In spite of the reforms proclaiming a more permissive strategy towards the private sector, local councils continued to obstruct people in obtaining licences on the grounds of the previous regime's policy which considered private business inferior to the state sector.[85] City, district and village councils, effectively continuing the policy of the Rákosi regime, often labelled small business owners 'kulaks' and threatened them with high tax assessments if they complained to higher authorities.[86] In one case, local functionaries threatened an artisan that if

[81] MNL OL XIX-A-83-a/517.jkv. 1953.12.22. 'A Minisztertanács 511/17/1953. sz. határozatával az adórendszer felülvizsgálatára kiküldött bizottság jelentése', p. 2.
[82] Gervai, p. 216.
[83] Legislative Decree of the Council of Ministers No. 14 of 1953 in *Magyar Közlöny*, 9, 9 August 1953, 37, pp. 224–26.
[84] KSH, *Magyar Statisztikai Zsebkönyv 1956.*, p. 80.
[85] MNL OL XIX-B-1-q/44d. 0185/1953. TÜK 'A kisipari iparjogosítványok, iparigazolványok kiadásának meggyorsítása'
[86] This was the result of an ideological divide within the party leadership following the deposition of Mátyás Rákosi as premier in July 1953. While in early July 1953 the Nagy government abolished the institution of 'kulak registers', Rákosi, who remained party First Secretary, only days after the introduction of the Nagy administration's reform programme, kept fervently justifying his Stalinist line and argued to the party that 'with or without a register, a kulak remains a kulak'. More on this, see Gyarmati, *A Rákosi-Korszak*, pp. 329–42.

'he complained to the national radio station, he would be taxed so heavily that he would not dare resume his trade'.[87] In another instance an artisan was accused of 'kulak speculation' for making a claim for his confiscated working equipment, as well as 'class exploitation' for attaching a petition written by his colleagues who wished to use his equipment in exchange for rent.[88] On another occasion the head of Kapuvár City Council's Finance Department threw a complainant out of his office, calling him a 'kulak' and telling him to 'go to hell' with his request for a reassessment of his tax bill. The official later admitted confidentially to his colleague that the complainant's claim was legitimate but meeting such demands would have made fulfilling the council's tax plan impossible.[89]

At a higher level, county councils, which in July 1953 became directly supervised by the Council of Ministers instead of the Ministry of Interior as part of the Imre Nagy's government's institutional reforms, confirmed to complainants that the central government no longer considered them 'kulaks' with respect to taxation.[90] It became the norm for higher authorities to overrule city, district and village council decisions both in citizenry tax appeals and licence rejections.[91] It was rare, though, for successful complainants to receive adequate financial compensation or to secure the return of confiscated equipment. This would have entailed the rethinking of the primacy of state ownership within the economy and would have clashed with the interests of manufacturing cooperatives, the direct beneficiaries of purges in the private sector. Instead, artisans were encouraged to apply for short-term loans to fund their purchases of capital equipment to start their businesses. There was little uptake by artisans, however, of this state-sponsored loan scheme until early 1954 as they feared that a 'Sword of

[87] MNL PML XXIII.3.b/3d., Case number: 696/1954. 'Pakai István Magyar Rádióhoz írt levele (1954. január)'
[88] MNL PML XXIII.3.b/3d., Case number: 573/1954. 'Török László levele a Pest Megyei Tanács Panaszirodájának (1954. február 22.)'. See various other instances from between 1953 and 1955 in MNL PML XXIII.3.b. and in the files of the Imre Nagy Secretariat in MNL OL XIX-A-2-v.
[89] OSA 300-40-4:18/26, Item No. 897/55, 'How Nagy's Promises Are Kept', pp. 1–2.
[90] MNL PML XXIII.3.b/3d., Case number: 50/1953. 'Borsos József panasza Pest Megyei Tanács VB-nek (1953)'
[91] MNL OL XIX-L-1-aa/253d. 'Beszámoló a panaszügyek intézéséről (1956. február 17.)'

Damocles was hanging over their head' and the regime would revert to its policy of assault on private property; a fear that was present at least until the 1970s.[92] Additionally, shortages of raw materials meant that taking out a loan was pointless for many artisans. In one case, shortly after signing a loan contract in early 1954, a barber found himself chasing his supplier and his local KIOSZ office in Fejér County for months on end, only to find that his desired equipment and cosmetic ingredients were out of stock due to shortages.[93]

4.2. Circumventing the Ineffective Tax System and the Institutionalisation of Informality

The county council practice of overruling unfavourable verdicts by city, district and village councils on permit applications began to have an impact on artisans' strategy of tax decision appeals. Artisans realised that instead of turning to their local councils for support, they could petition higher ranking authorities directly with more success. PM, for example, reported that more than 90 per cent of the 22,157 complaints they received between January 1954 and December 1955 were in fact tax appeals and that individuals had turned to them to circumvent their responsible authorities and gain legal redress.[94] Meanwhile, artisans continued to under-declare their incomes. One of the central issues in 1954 for the KIOSZ's local organisation in Csongrád County was that artisans did not declare income gained from their sales and a large number of them appealed their taxes.[95] Márton Laukó, the KIOSZ secretary in Csongrád County, went as far as to say that tax declarations by artisans were completely meaningless.[96] Authorities generally believed that declarations did not reflect actual incomes when compared

[92] Gervai, p. 93; Valuch, *Magyarország Társadalomtörténete a XX. Század Második Felében*, p. 179.
[93] MNL OL XXVII-F-3/104d. Case number: 159/1954. 'Jerga István fodrász levele a KIOSZ Megyei Titkársághoz—Székesfehérvár (1954. február 11.)'
[94] MNL OL XIX-L-1-aa/253d. 'Beszámoló a panaszügyek intézéséről (1956. február 17.)'
[95] MNL OL XXVII-F-3/104d. 'KIOSZ Csongrád megyei Vezetőségének, 1954. november 9. Vezetőségi Ülés Hódmezővásárhelyen / Napirend 3-as pontja: A kisiparosok adózása'
[96] MNL OL XXVII-F-3/104d. 'KIOSZ – Csongrád július havi munkánk összefoglalása (1954. augusztus 7.)'

to the material living standards of artisan families, which they continued to determine personally through formal visits.[97] In the period, however, they turned a blind eye to tax evasion as well as to widespread informality in the private sector, fearing that prosecutions would only cause political distress which the Nagy government aimed to avoid.[98]

From July 1953, the Nagy administration's private business reforms and the simultaneous preservation of high tax rates came to contradict each other in terms of rational economic management and resulted in anomalies and growing informality on the micro-level. Artisans, however, realised that the inefficiencies of the tax system could be turned to their own advantage to maintain their businesses. An artisan who had a dyeing and dry-cleaning business in the 1954–1955 period in Budapest explained that even though he had abundant orders for his services, his business could not have been profitable for both him and his assistant due to the heavy tax burden which compelled him to evade paying tax.[99] Had he paid his income and employment taxes honestly, he would only have been left with a total net profit of 712 forints a month for both him and his assistant to pay out as wages. When asked by his interviewer after fleeing to the West whether it was normal for artisans to work for such slim profits, he replied that the tax system did not allow artisans to do private business by the book. Without evading taxes, in his view, private business owners simply would not have been able to make a living and that 'the tax authorities ought to know well [that those who persist in the private sector] are black marketeers who steal and lie'.

Upon the advice of fellow artisans, he had resorted to various—in his word '*trükkök*' (tricks)—to manipulate his tax estimate. One was to pay his tax advances only after the payment deadline had passed, to give the impression that he was struggling to make ends meet.

---

[97] MNL OL XXVII-F-3/104d. 'Vezetőségi ülés, (1954. július 22.)'

[98] MNL OL XXVII-F-3/104d. 'KIOSZ – Csongrád július havi munkánk összefoglalása (1954. augusztus 7.)'

[99] OSA 300-40-4:13/21. Item No. 11618/55, 'The Revival of Small Trades, as Propagated by the New Course is Only a Bluff', p. 4.

In 1955, before his semi-annual tax bill calculation was due in July, he decided to avoid paying his tax advance altogether for the tax month of May to show signs of material hardship to authorities. On this occasion, a tax inspector visited him and confiscated a radio from his apartment. Subsequently, he settled his balance, but he thought that the bluff at least 'served as tangible evidence to the authorities that I struggled to pay my taxes. Naturally, however, I always had a few thousand forints in my pocket so I could have paid my taxes comfortably, but it was much smarter to do it this way'.[100]

As no one—often, according to PM, not even authorities themselves —knew what councils actually based their estimates on, private businessmen and women thought that hiding as much income as possible was the best way to avoid unforeseen tax collections.[101] Artisans thus forged their cash books and manipulated their sales of goods and services to hide their real profits from the tax authorities.[102] Often working 12–14 hours a day—significantly more than the authorities based their estimates on—and procuring missing raw materials through the black market in one's remaining free time took effort and there was a sensible limit to the growth of wealth through private initiatives.[103] As artisans became more experienced with the communist bureaucracy, informal practices to work around administrative constraints and, crucially, the regime's overall taxation policy, became widespread among them. For instance, turnover tax could be avoided by using materials brought directly to the workshop by customers because there was no record of purchase.[104] Artisans also often relied on their professional networks to circumvent the steep progressivity of the tax system. To do this, artisans who had abundant orders informally carried out work under the name of colleagues who had fewer jobs

[100] OSA 300-40-4:13/21. Item No. 11618/55, 'The Revival of Small Trades, as Propagated by the New Course is Only a Bluff', p. 13.
[101] MNL OL XIX-L-1-aa/251d. 'Jelentés a Panasziroda működéséről (1954. május 31.)'
[102] OSA 300-40-4:13/21. Item No. 11618/55, 'The Revival of Small Trades, as Propagated by the New Course is Only a Bluff', p. 14; and OSA 300-40-4:13/21. Item No. 1190/64, 'Problems of Private Business in Hungary', p. 5.
[103] OSA 300-40-4:13/21. Item No. 2625/62, 'Private Artisans' Situation', p. 2.
[104] OSA 300-40-4:13/21. Item No. 1190/64, 'Problems of Private Business in Hungary', p. 4.

at the time. Thus, no one lost money, as the person physically completing the job did not have to account for any increase in his already high income so he/she avoided being placed in a higher tax bracket by the tax authorities.[105]

Artisans realised higher profit margins by manufacturing consumer goods rather than solely through the sale of services. They managed to do this in spite of the heavy and unpredictable taxes imposed on them by the state.[106] Against the communists' anticipation of gradually approaching a classless society devoid of private property, the pressing tax burden and anomalies of the tax system came to serve more frequently as a stimulus incentivising private production and increasing the appeal of private over public ownership in the period under study as well as in the years to come. Paradoxically, businesses facing higher taxes were encouraged to manufacture consumer goods and to increase the profitability of their production through alternative means, which often consisted of black market dealings, bribery and false accounting.[107] The more profit businesses made, the more opportunities and incentives they had to further evade their taxes to escape punitive measures targeting their private undertakings.[108] Artisans found themselves in a vicious circle: even if they did not intend to evade, tax authorities would have based their assessment on the assumption that artisans falsified their incomes, which in turn compelled them to evade.[109]

Instead of using direct taxes to construct a more equal society, as has been often the case in contemporary market societies, the communists' taxation policy contributed to the development of fierce inequalities both among private entrepreneurs, and between private entrepreneurs and state-employed personnel.[110] While from the 1960s a new stratum of '*új*

[105] OSA 300-40-4:13/21. Item No. 420/67, 'Situation of Small Craftsmen', p. 3.
[106] OSA 300-40-4:13/21. Item No. 391/68, 'Bribe System and Working Morale of Artisans', p. 1.
[107] OSA 300-40-4:13/21. Item No. 119/62. 'Situation of Small Artisans and Shopkeepers', p. 2.
[108] OSA 300-40-4:13/21. Item No. 1190/64, 'Problems of Private Business in Hungary', p. 4.
[109] OSA 300-40-4:19/5. Item No. 07029/52, 'Business and Private Expenses', p. 2.
[110] OSA 300-40-4:13/21. Item No. 866/65, 'Situation of Private Shops', pp. 2–3.

gazdagok' (*nouveau riche*) was emerging in the private sector whose primary concern was not knowing how to invest or consume their income by avoiding the unwelcome attention of tax authorities, another, larger group of artisans working in the private service industry and lacking cultural and social capital, was only just surviving under the tax burden imposed by the socialist state.[111] Instead of remedying these developing inequalities, the regime of János Kádár took a neutral stance after the 1956 revolution by preserving the flawed tax system for many years to come. From the late 1950s, state propaganda accommodated the new political climate. From vilifying the private sector as a hotbed of 'petit bourgeois sentiments', propaganda switched to portraying artisans as a homogeneous collective of specialised workers who rightfully deserved the public's support for their labour.[112]

5. Conclusion

This chapter has shown that direct taxes were important fiscal tools of socio-economic policy in the period after World War II and before the 1956 revolution in Hungary. While during the coalition years (1945–1948) the communists predominantly relied on their large-scale nationalisation policy to expand their power over the private economic sphere, after their takeover in 1948 they used direct taxes to fine-tune their envisaged ideal society. Even though the communist regime seemingly commanded full authority through the taxation system, there was an obvious limit to state power which artisans came to exploit in the period. Individuals exercised economic rationality and resisted state authority by using the inefficiencies of the tax

[111] On the stratification of private business owners by income as conceived by Hungarian interviewees in the West, see OSA 300-40-4:13/21. Item No. 2581/62, 'Situation of Maszek Tradesmen', pp. 1-2. and OSA 300-40-4:13/21. Item No. 866/65, 'Situation of Private Shops', p. 2; On the case of a private hairdresser who did not know how to invest his income without attracting the attention of authorities in the early 1960s, see OSA 300-40-4:13/21. Item No. 1666/66, 'Portrait of a Provincial Private Hairdresser', p. 2; On the rise of the *új gazdagok*, see OSA 300-40-4:13/21. Item No. 47/70, 'Private Trade and Craftsmanship in Hungary', p. 3.

[112] Gervai, pp. 352–59.; For instance, see 'Kistőkések a magánkisiparban', *Gazdasági figyelő*, 3 October 1957, p. 14; 'A maszek-dosszié', *Magyarország*, 26 April 1964, pp. 18–9; 'Görbe Tükör az Emberségről', *Ifjú Kommunista*, 1 February 1963, p. 37.

system to their own advantage. '"Manipulation" towards the tax office' (quotation marks in original), as one artisan referred to tax evasion in the 1960s, increasingly became the norm among private businesses as tax authorities assessed individuals' incomes and their corresponding taxes through their haphazard and arbitrary method of estimations.[113] On the one hand, tax authorities assumed that artisans declared unrealistically low profits and therefore routinely estimated higher income taxes. On the other hand, artisans declared lower profits than they had actually realised, in response to their shared experience that, irrespective of what amount they declared, local authorities would always estimate greater dues, which could easily render their enterprises unprofitable. Tax bargaining turned into a vicious circle, in which process general distrust became the norm between the state and private small businesses, while the result was a tax amount which no one believed to be accurate, but which both parties deemed equitable from their own short-term interest. Taxes became points of contestation between individuals who attempted to earn an income in the private sector and the communist state.

Informal economic practices continued to grow equally on the micro-level throughout Rákosi's high Stalinism of 1951–1953, Nagy's New Course of 1953–1955 and the Muscovite-clique's return in power in the 1955–1956 period. Although Moscow's reinforcement of the communist hardliner faction in power seemingly brought the Nagy government's reforms to a halt in 1955, the new regime did not attempt to eliminate private businesses this time. Instead, it even began to support artisans' exports to Western markets.[114] As the taxation system largely remained unchanged, more and more artisans came to evade their taxes to the extent that tax evasion eventually became a crucial characteristic of socialist private business until the liberalisation of business laws in 1982 and the introduction of the personal income tax law

[113] OSA 300-40-4:13/21. Item No. 420/67, 'Situation of Small Craftsmen', p. 2.
[114] Gervai, pp. 254–58.

(*személyi jövedelemadó,* commonly known as *szja*) in 1987. Contrary to the regime's ambition of doing away with private property, the private sector became more important over time. Paradoxically, the distorted taxation system ultimately contributed to the development of private small enterprises, which gave individuals the opportunity to accumulate private wealth. Instead of reforming the tax system and regulating informal processes of private wealth accumulation, the Kádár regime consolidated its power by accepting these practices as a means to improve the material conditions of Hungarian society. It also gave an opportunity to state-employed workers to participate in private sector production through various mixed-ownership forms and condoned the widespread existence of informality in economic life. Instead of regulating private economic activities and reducing socio-economic inequalities, the Hungarian socialist taxation system came to encourage private wealth accumulation, informality and second economy activities during the years of Hungarian socialism.

The next chapter turns to assess the early-socialist regime's consumer credit and home construction loan policy. It will contrast the impact of Stalinist economic policy and the Nagy government's reforms on citizens' private finances and the communist regime itself.

Chapter 4, Financing the People?: credits, private construction, and the materialisation of need (1949–1956)

1. Introduction

On 12 May 1954, Rezső Schöndorfer, manager of *Kőbányai Épületasztalosipari Vállalat* (Kőbánya Joining Enterprise), complained about the rejection of his home-construction plot and credit application to Budapest XI District Council. Although Schöndorfer fulfilled all eligibility criteria, the council, nonetheless, turned Schöndorfer's application down, claiming that the request was 'unachievable'. Schöndorfer argued that since the establishment of communist power in Hungary in 1948, the communist regime had consistently blocked his effort to build a home for his family of three. In ending his letter, Schöndorfer ridiculed the socialist state by summing up his experience with the regime's housing policy:

> In 1948, I received a building plot with a promise, in 1949, they took away my plot and they exchanged it for another with a promise, in 1953, they took away my plot again together with the promise, and, instead, I only received a promise embedded into a report. […] I had plenty of promises, I even possessed a plot […] currently, however, I still do not own a plot as it has been swallowed up by bureaucracy.[1]

Schöndorfer's feelings were typical of citizens who, despite the Nagy government's promise of support for private construction in January 1954, continued to face various challenges posed by the ineffective planned economy. Although the Nagy government's home construction programme had only been realistically available to the few who possessed significant savings in times of general poverty, the scheme attracted tremendous interest among workers after the Stalinist regime's years of neglect of the housing issue. The scheme particularly appealed to citizens for offering autonomy and self-sufficiency in terms of housing and 'householding', respectively.[2]

[1] BFL XXIII.211.b/205d. 587/90. 'Rezső Schöndorfer kérvénye (1954. május 12.)'

[2] 'Householding' refers to one of the four economic integration mechanisms in Polanyi's 'substantive' economic theory. The other three are market exchange, reciprocity, and redistribution. Householding refers to 'production for one's own use'. Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001), p. 55.

The Rákosi regime, following the Soviet model, considered self-restriction in personal finances the correct example to be followed. Through the Stalinist economic policy of 'thrift', from 1948, the state increasingly considered private savings as potential revenue sources in the budget to enforce industrialisation and the country's militarisation at the expense of the consumer sector. The regime enforced 'thrift' through various fiscal instruments, such as coercive taxes, state loans, and the regime's restrictive price and wage policy. Citizens' welfare, especially housing in the early 1950s, was radically neglected during the Rákosi years.

In July 1953, however, a sudden change of economic policy took place when, on the Soviet Union's initiative, the Nagy government put improving living standards at the core of its programme. Instead of constraining consumption and increasing industrial output through planning directives, the Nagy government decided to foster consumption hoping that the nationalised sector would follow suit to match consumer demand. In this endeavour, the Nagy regime began reforming the state's fiscal contract with citizens. Unlike during high Stalinism when the state promised to provide citizens' needs exclusively and suppressed private initiatives, the Nagy government began to involve citizens in investing and shaping their welfare through various fiscal instruments and incentives such as credits and housing. Reopening access to credits for the public signalled the Nagy regime's willingness to give practical help after years of neglect of deteriorating living conditions. Through the scheme, the Nagy regime aimed to fulfil two objectives. First, to reduce people's purchasing power by incentivising citizens to pay into savings deposits to make them eligible for loans. Second, to allow people secure adequate housing which the communist regime had been unable to provide on its own initiative since the end of World War II in Hungary. The government envisaged both of these objectives to help resolve, directly or indirectly, the regime's legitimacy crisis by increasing the standard of living.

Although record numbers of people showed interest in the scheme, only a tiny proportion of applicants qualified for credits and received a plot. However, even successful applicants struggled to build a home. Instead of strengthening the regime's legitimacy, constant issues with the availability of plots, building materials, credits, and overall building expenses made people question the communist state's ability and willingness to foster the growth of living standards. Meanwhile, the regime's *osztálypolitika* (class policy), which aimed to correct socio-economic inequalities, increasingly became a subject of public ridicule. While until summer 1957, the scheme proved inadequate to mitigate Hungary's postwar housing crisis, after the 1956 revolution, the scheme's rationalisation along quasi-market principles made the programme a dominant element in the regime's housing policy. The scheme also became an important driver of private savings, channelling purchasing power away from the socialist consumer market of shortage towards the building of private homes.

Scholars have assessed the Kádár regime's public housing policy and its socio-economic effect extensively. However, private housing, especially the beginning of the early-socialist regime's large-scale support for private construction during the New Course, has been a generally neglected area of research.[3] Although most constructions drew on private funds throughout Hungarian socialism, the omnipotence of the communist state within the housing sector, and especially the image of *panelházak* (high-rise apartment buildings), continue to define research into socialist housing in Hungary.[4] Scholars have only recently begun to

[3] For a review of literature, see Konrád and Szelényi, *The Intellectuals on the Road to Class Power*; György Konrád and Iván Szelényi, *Az új lakótelepek szociológiai problémái* (Budapest: Akadémiai Kiadó, 1969); Horváth, *Két Emelet Boldogság. Mindennapi Szociálpolitika Budapesten a Kádár-Korban*, pp. 75–142; Virag Molnar, 'In Search of the Ideal Socialist Home in Post-Stalinist Hungary: Prefabricated Mass Housing or Do-It-Yourself Family Home?', *Journal of Design History*, 23.1 (2010), 61–81; József Hegedüs and Iván Tosics, 'A Lakásrendszer Szociológiai És Közgazdasági Elemzése' (Unpublished CSc Thesis, MTA, 1993); Zsuzsa Daniel, 'The Effect of Housing Allocation on Social Inequality in Hungary', *Journal of Comparative Economics*, 9.4 (1985), 391–409; Csaba Béres, *Lakótelep, Kertes Házak Helyén* (Debrecen: MTA, 1979).

[4] For instance, one of the most comprehensive Hungarian labour histories claims that before 1956 credits were unavailable to workers and that 'the state did not work out a national scheme to ease the buying and construction of homes before 1956 […]'. See, Belényi, pp. 299–300. See p. 174. of the thesis for exact figures for the 1950–1953 period. Even by the end of the 15-year housing construction programme in 1975, the share of state-financed homes within total home build averaged 32–35 per cent. See MNL OL XXIX-L-3-g/9d. 'Az

explore the housing policy of early-socialist Hungary. These studies, however, have primarily been concerned with questions of relations between architecture, ideology, and state formation.[5] While these studies have made advances in furthering our knowledge of Hungarian early-socialist housing policy, private home builds, credits, their social and economic ramifications, and especially their broader impact on the historical development of socialist Hungary have been largely neglected topics in historiography.

This chapter aims to fill this gap in historical research. Through the lens of credits, the chapter assesses how after years of severe constraints on private finance, from 1954, economic reforms allowed citizens to save and even use credits to improve living conditions through the government-initiated self-build programme. While newspapers advertised that the programme would help the everyday worker, authorities and citizens soon recognised that the scheme generally favoured the wealthy. However, even the relatively few eligible for credits faced serious obstacles in delivering private construction to a contracted deadline. The private construction scheme revealed crucial paradoxes of Hungarian socialism, making people question the leadership's credibility and communist socio-economic policy. As the regime's legitimacy crumbled, the scheme's poor design and execution increasingly confirmed the state's weaknesses in exercising and even upholding authority leading to the 1956 revolution. The chapter argues that credits were important drivers of historical change in early-socialist Hungary. As opposed to the Kádár era, however, instead of cementing the regime's political

1981-1990 közötti időszak lakásépítési célkitűzéseivel kapcsolatos egyes elgondolások (OTP Belső Munkaanyag, 1977. július)' p. 2. See Appendix C on the share of private and public sources in house build in various socialist countries in the 1950s.

[5] Márkus Keller, *Szocialista Lakhatás?* (Budapest: L'Harmattan Kiadó, 2018); Virag Molnar, *Building the State: Architecture, Politics, and State Formation in Postwar Central Europe* (London: Routledge, 2013); *Kockaház - A 20. Század Vidéki Háztípusa*, ed. by Máté Tamáska (Budapest: Martin Opitz Kiadó, 2021); János Balázs Kocsis, 'Lakáspolitika Budapesten, 1950–1959', *Múltunk*, 54.3 (2009), 83–122; József Hegedüs, 'Self-Help Housing in Hungary: The Changing Role of Private Housing Provision in Eastern Europe', in *Beyond Self-Help Housing*, ed. by Kosta Matey (London: Mansell, 1992), pp. 217–31.; Krisztina Fehérváry, *Politics in Color and Concrete: Socialist Materialities and the Middle Class in Hungary*, New Anthropologies of Europe (Bloomington: Indiana University Press, 2013).

legitimacy, they revealed the regime's macroeconomic and fiscal policy weaknesses, not only to everyday workers, but even to authorities and the party rank and file.

The chapter is structured as follows. Section 1 assesses the ways in which the nascent communist regime transformed consumer credits from welfare provisioning and supply stimulus to an appropriative instrument of constraining citizens' cash reserves against the backdrop of industrialisation and Cold War hostility. Section 2 assesses the circumstances in which the Nagy regime remade credits available to the public in early 1954 to facilitate self-build. While the home construction scheme received outstanding interest from citizens, council authorities only allowed a relatively small number of people to participate due to various issues revealed during policy implementation. The section assesses the scheme's introduction from the perspective of the state, citizens, council authorities, and the media. Section 3 focuses on the experiences of the few who gained admittance to the programme. The section shows how surging building costs, acute shortages of building materials, and the general unavailability of plots and credits put a heavy burden on private constructors. Instead of buttressing the regime's legitimacy, at least among the few relatively privileged, by October 1956, problems with the private construction scheme revealed that the regime had no actual beneficiaries. Both citizens and authorities recognised that the regime was not only unwilling but even incapable to administer reforms.

2. Rethinking Credits and Deposits: 'socialist accumulation' and the politics of 'thriftiness' during Stalinism (1949–1953)

2.1. The Establishment of OKÁ (1948–1949)

Between February and July 1949, newspapers nationwide reported a high uptake of consumer credits which the government had just made available in January 1949 for the purchase of durables. Credits enabled workers to buy textile materials, clothes, underwear, footwear,

bicycles, motorcycles, stoves, radio, and furniture through a payroll deduction plan over a 4–24 month period.[6] Only three months after the scheme's introduction in April, the *Országos Központi Áruhiteliroda* (National Central Commodity Loan Office—OKÁ) had approved credit applications to a value of over 100 million forints—the government's total budget for the programme in the financial year of 1949. People purchased 220,000 metres of textile, 50,000 bicycles, and 2,500 motorcycles.[7] By April, 130,000 people had applied for loans, and the number of participants had been on the rise.

While in 1948–1949 propaganda persuaded citizens to believe that increasing the standard of living was one of the regime's top priorities, communist policy makers had not even discussed welfare regarding credits in the scheme's design. When the outline of the first five-year plan had been well underway, the introduction of consumer lending hardly fitted into the socialist regime's *szocialista akkumuláció* (socialist accumulation) policy which emphasised increasing investments in heavy industry at the expense of the consumer sector. Authorities duly noted this at the time. In November 1948, during the development of the OKÁ scheme, the party's *Gazdasági Bizottság* (Economic Committee) established that '[the scheme], in principle, was not appropriate because instead of making workers save (which, for instance, will have a great importance for the *tervkölcsön* to be issued next year), it compels them to increase expenditure'.[8] The committee, however, justified the scheme because various private consumer crediting programmes had already existed at the time, so establishing OKÁ were to accelerate nationalising the private crediting sector. Moreover, the committee reasoned that credits would help retail low-grade goods otherwise unsaleable on both domestic and

[6] Government Decree No. 12.730. of 1948 in *Magyar Közlöny*, IV. (278.) (18 December 1948), pp. 2559-2561.
[7] 'Egyszázmillió forint hitel jutott három hónap alatt a dolgozóknak', *Magyar Távirati Iroda*, 19 April 1949, p. 1.
[8] MNL OL M-KS 276. f. 87. cs. 23. ő. e. 'Országos Központi Áruhitel Iroda létesítése (1948. november 6.)' p. 6.

foreign markets.[9] The committee even considered this aspect beneficial to foreign trade because rechannelled purchasing power was hoped to free up agricultural products for export.[10]

In May 1949, the party's *Államgazdasági Bizottság* (State Economic Committee) had learnt that the OKÁ scheme enjoyed huge popularity among workers despite the low-grade goods on offer. A survey of 109 factories found that 85 per cent of workers were fully satisfied with the scheme. In contrast, 14 per cent were generally satisfied with only minor objections to various administrative issues in the scheme's design. 61 per cent answered that the available credit quota was insufficient and that workers would have welcomed a further 25–200 per cent quota increase. 90 per cent responded that indebtedness was not a real threat, while the remaining ten per cent recommended the extension of repayment periods from four to six months.[11] While authorities feared that the scheme would make workers 'considerably indebted', a contemporary calculation found that this was largely unfounded and that 'even increasing the current pace of crediting would not be dangerous'.[12] This, however, was not even up for discussion as, by the time, the regime had already been planning to appropriate citizens' savings by state-loans. Despite workers' satisfaction with the scheme, in May 1949, the Economic Committee decided that the scheme could not 'develop further' and 'what is more, it even [had to be] slowly and incrementally dismantled'. The Economic Committee reasoned that OKÁ was 'primarily important for the sale of hard-to-sell goods' and not for stimulating demand.[13]

In line with foreign policy considerations, from summer 1949 the regime turned down the volume of OKÁ propaganda in the news in preparation for shutting down the scheme

[9] MNL OL M-KS 276. f. 87. cs. 23. ő. e. 'Egyes iparcikkek értékesítési nehézségei' pp. 61-63.
[10] MNL OL M-KS 276. f. 53. cs. 14. ő. e. 'Országos Központi Áruhitel Iroda szervezése (1948. október 12.)' pp. 26-27.
[11] MNL OL M-KS 276 f. 112. cs. 13. ő. e. 'Az Országos Központi Áruhiteliroda NV közvéleménykutatásának kiértékelése (1949. május 18.)' p. 13.
[12] MNL OL M-KS 276. f. 112. cs. 13. ő. e. 'Munkavállalók áruhitelből előálló eladósodottsága (1949. május 7.)', pp. 14-15.
[13] MNL OL M-KS 276. f. 112. cs. 13. ő. e. 'Az OKÁ részletakcióinak tapasztalatai (1949. május 24.)' p. 2.

entirely by 1950. By October 1949, the successful completion of the regime's *tervkölcsön* campaign reaffirmed the communists' economic rationale that coercion was far more effective in draining purchasing power than positive incentives.

2.2. Propaganda and Ideology: 'socialist accumulation' and 'thriftiness'

Like in Western states, by the early 1950s, Hungarian economic policy was heavily influenced by the unfolding Cold War. Communist experts designed fiscal policy to help broaden the country's policy space to support militarisation per Stalin's war projections.[14] Hungarian economic priorities shifted further towards investments in heavy industry and the military at the expense of household consumption.[15] However, unlike Western countries, socialist states, especially Hungary, went to a radical extent to constrain consumption.[16] Between 1949 and 1953, the Hungarian regime cut welfare expenditures; meanwhile, it drastically raised investments in the heavy industry on multiple occasions as it turned to unprecedented measures during peacetime to facilitate economic growth in the interest of national defence.

From 1949, Hungarian experts increasingly adopted the Soviet line in economic policy, commonly referred to as *szocialista akkumuláció* (socialist accumulation).[17] Socialist

[14] On the Cold War-welfare nexus, see Klaus Petersen, 'The Early Cold War and the Western Welfare State', *Journal of International and Comparative Social Policy*, 29.3 (2013), pp. 226–40; *Warfare and Welfare: Military Conflict and Welfare State Development in Western Countries*, ed. by Herbert Obinger, Klaus Petersen, and Peter Starke (Oxford: Oxford University Press, 2018), pp. 449–54. On Soviet leaders' national security considerations, see Vladimir Kontorovich and Alexander Wein, 'What Did the Soviet Rulers Maximise?', *Europe-Asia Studies*, 61.9 (2009), pp. 1579–1601.

[15] On the militarisation of Hungary, see Pál Germuska, 'Military Industry versus Military-Related Firms in Socialist Hungary: Disintegration and Integration of Military Production during the 1950s and Early 1960s', *Enterprise & Society*, 11.2 (2010), pp. 316–49; Pál Germuska, 'Szocialista Csoda? Magyar Iparfejlesztési Politika És Gazdasági Növekedés, 1950-1975', *Századok*, 146.1 (2012), pp. 47–78; Pál Germuska, *A Magyar Középgépipar. Hadiipar És Haditechnikai Termelés Magyarországon 1945 És 1980 Között* (Budapest: Argumentum Kiadó, 2014).

[16] Tamás Vonyó and Andrei Markevich, 'Economic Growth and Structural Developments, 1945–1989', in *The Economic History of Central, East and South-East Europe: 1800 to the Present*, ed. by Matthias Morys (London: Routledge, 2021). On possible factors why the Cold War had a lesser impact on the U.S. economy relative to the U.S.S.R. and its proxy states, see Aaron L. Friedberg, *In the Shadow of the Garrison State: America's Anti-Statism and Its Cold War Grand Strategy* (New Jersey: Princeton University Press, 2000).

[17] See Aladárné Mód, 'Szocialista Építés És Az Akkumuláció Új Forrásai', *Társadalmi Szemle*, IV.1 (1949), pp. 54–66. 'Socialist accumulation' was coined by Bolshevik economists Evgeny Preobrazhensky and Grigory

accumulation denoted the expansion of state authority over private resources to feed the growth of the state sector. In terms of finance, it denoted rechannelling household savings to the treasury to increase the regime's policy space and allow the state to increase expenditure on heavy industry and the military. Hungarian communists claimed that constraining consumption was necessary to increase economic growth and a prerequisite for raising the standard of living in the long term. On 31 May 1950, the Communist Party's economic strongman Ernő Gerő made this line more explicit at the KV meeting:

> If we invest a greater extent of our national income into raising the standard of living, then we would consume today those factories, plants, and cooperatives which serve tomorrow's interest of accelerating the growth of living standards, cementing of our Peace-front, and laying the foundations of our future.[18]

PM increasingly used fiscal policy to increase industrial output. With increasing intensity between 1948 and 1953, the state enforced socialist accumulation through state-loans and taxation while consumer credits were increasingly phased out and eventually replaced with campaigns on 'thriftiness' and savings collection campaigns, simultaneously as durables and even staples became items of shortage.

In 1950, when the first-five year plan's investments in heavy industry doubled, Rezső Szántó, director of OTP, argued that instead of lending, OTP had to 'collect savings, even through issuing domestic loans [sic], to benefit industry'.[19] In Szántó's view, Hungarian

Feldman in the 1920s. Their theory held that acceleration of investment-led growth in economically-backward countries would lead to high consumption levels in the long term. See, respectively, Eugene Preobrazhensky, *The New Economics* (Oxford: Clarendon Press, 1965); G.A. Feldman, 'K Teorii Tempov Narodnogo Dokhoda', *Planovoe Khozyastvo*, 11-12., 1928, pp. 146–70; In Hungarian: G.A. Feldman, 'A Nemzeti Jövedelem Növekedési Ütemének Elméletéhez (A Szovjetunió Népgazdaságának Szemszögéből)', *Közgazdasági Szemle*, XIV.11 (1967), pp. 1342–82.

[18] MNL OL M-KS 276. f. 52. cs. 12. ő. e. 'A magyar népgazdaság fejlesztésének legközelebbi feladatai' p. 39. This line of thought became widely known later from Mátyás Rákosi's speech given at the first congress of the Union of Working Youth on 17 June 1950. In this oft-quoted speech, Rákosi justified austerity by arguing that one should not eat 'the hen' (i.e. objectives of the first five-year plan) that lays 'golden eggs'. See Mátyás Rákosi, 'Legyen a DISz Pártunk Biztos Támasza!', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 338–51.

[19] Rezső Szántó, 'A Takarékpénztár Szerepe a Szocialista Gazdaságban', *Magyar-Szovjet Közgazdasági Szemle*, IV.1-6. (1950), 317–40 (p. 318).

economic development went hand in hand with raising the standard of living while communist economic policy 'opened up new avenues for individual thriftiness.' Szántó argued, 'Workers have increasingly more options to save considerable amounts from their increasingly growing earnings insofar as they economise household expenses well'. In Szántó's view, communist prosperity enabled citizens to save and pay surplus money into savings accounts held at OTP to support industrialisation which, was synonymous with increasing the standard of living.[20]

2.3. The Termination of Consumer Lending

Despite that even the party's newspaper reported credits to be highly popular among workers, in May 1950, shortly after the launch of the first five-year plan, the finance minister, Károly Olt, drafted a proposal of phasing out OKÁ by the end of 1950.[21] The proposal argued that growing purchases of durables conflicted with the first five-year plan's vision of increasing industrial output. Instead, the finance minister proposed that consumer credits should be used as an incentive to make people pay into savings accounts at OTP.[22] While in the financial year of 1950, the government initially authorised OKÁ to pay out 104,5 million forints until August, PM reduced the quota to 94,4 million forints mid-year. A few days before ending the first *békekölcsön* campaign, on 6 October 1950, the Councils of Ministers accepted the merger of OKÁ with OTP with effect from 1 November 1950.[23] The proposal reaffirmed the Stalinist principle attributed to communist savings banks, namely, that OTP's primary task was to encourage workers to pay into private accounts instead of credit extension. PM set to attain the 'self-financing' of crediting to keep state involvement, that is, the creation of new money for

[20] Rezső Szántó, 'A Takarékpénztár Szerepe a Szocialista Gazdaságban', *Magyar-Szovjet Közgazdasági Szemle*, IV.1-6. (1950), p. 321.
[21] 'Emelkedik idén az OKÁ-részletforgalom', *Szabad Nép*, 28 January 1950, p. 6.
[22] MNL OL M-KS 276. f. 112. cs. 53. ő. e. 'Az OTP átszervezése'
[23] MNL OL XIX-A-83-a 355/13. 'Az Országos Központi Áruhitel Iroda átszervezése, az Országos Takarékpénztárba való beolvasztása'

public use, to a minimum. The ministry argued that the state should not circulate new money without having the necessary commodity backings available. Effectively, PM transformed consumer credits from an economic instrument of supply stimulus and welfare provisioning to a mere political device of increasing state power over household finances. PM proposed that savings deposits should be used as money pots to pay out 'credits' without any real incentives.[24]

Throughout 1950, 1951, and 1952 several proposals reaffirmed that OTP's task was to administer state-loans and promote personal thriftiness.[25] Until 1952, authorities considered the question of credit extension a taboo in executive meetings. In 1950–1953, OTP generally struggled to convince people to keep savings in accounts at OTP. Not only that people generally lacked surplus money, but also because the bank had been short of adequate incentives. On 15 August 1952, one of the heads of department at OTP, Károly Kopat, during an executive meeting, suggested to the leadership to improve the availability of durables because people wanted to purchase radio devices, but none were available at the time. György Károly from PM rejected Kopat's suggestion. Károly argued that 'broadening of commodity credits [was not among PM's objectives], as commodity credits [stood] in contrast to the principle of socialist distribution'.[26] In November 1952, NT eventually terminated options for commodity credits altogether due to acute shortages of durables.[27]

On 2 February 1953, only five months before the implementation of economic reforms in Hungary, OTP's report gave a pessimistic picture of the bank's overall achievements in savings collection. Despite employing about 15,000 *takarékossági megbízott* (savings appointees) and conducting various propaganda activities, the bank only completed 52,95 per

[24] MNL OL M-KS 276. f. 112. cs. 63. ő. e. 'Az Országos Központi Áruhitel Iroda átszervezése'
[25] MNL OL M-KS 276. f. 112. cs. 93. ő. e. 'Az egyéni takarékosság szervezete és feladatai'
[26] MNL OL XXIX-L-3-e/9d. Folder 1952 'Főosztályvezetői értekezlet (1952. augusztus 15)'
[27] In 1953, PM gave this answer in response to a citizenry enquiry. See MNL OL XIX-A-2-v/16d. 4652/1953. 'Rózsa Rezső levele Nagy Imrének (1953. október 31.)' This decree, similar to other top secret ordinances by NT, was never published in *Népgazdasági Tanács Határozatainak Tára* (1949–1951) or *Határozatok Tára* (1952–).

cent of the 80 million forints deposit accumulation plan for the financial year 1952.[28] By 1953, the bank acknowledged that commercial persuasion was ineffectual in delivering plan targets. In early summer 1953, OTP began considering coercive methods to collect savings, only to learn that these were no longer condoned by the party's central leadership.[29]

2.4. The Implementation of Reforms (summer 1953)

In summer 1953, the Hungarian leadership implemented political changes at Moscow's behest.[30] The government's economic reform package prioritised improving living standards through tax revisions, cancellation of compulsory delivery arrears, reduction of state loan quota, and price reductions.[31] Simultaneously, as the regime questioned its approach to citizens' finances, people began discussing deteriorating living conditions openly.

While critical views already manifested during the Rákosi years, after 4 July 1953, Imre Nagy's speech to the Parliament empowered citizens to speak up about declining living standards and the regime's general neglect of public opinion.[32] Many reflected on the unavailability of consumer credits and advised the government to consider credits regarding welfare reforms. Memories of the OKÁ scheme were especially central in this regard. In July 1953, a survey of letters from *Szabad Nép*'s popular correspondence column highlighted that many asked for the reintroduction of OKÁ.[33] Private letters submitted to authorities evidenced that many associated credits with welfare provisioning due to fond memories of the OKÁ scheme. Rezső Rózsa, a distinguished worker at the *Finomkerámia és Üvegkereskedelmi*

[28] MNL OL XIX-L-1-aa/250d. 'Az OTP 1952. évi betétfelszívási tervteljesítése (1953. február 2.)'
[29] MNL OL XXIX-L-3-e/10d. 'Tarján Endréné elvtársnőnek… (1953. június 30.)'
[30] János Rainer M., *Nagy Imre 1896-1953* (Budapest: 1956-os Intézet, 1996), pp. 509–30.
[31] János Rainer M., *Nagy Imre 1953-1958*, pp. 9–21.
[32] MNL OL M-KS 276. f. 53. cs. 145. ő. e. 'A KV PB által kiküldött öttagú bizottság jelentése… (1953. november 5.)' p. 13.
[33] MNL OL XIX-A-2-ii/55d. 'Szabad Nép levelezési rovatának jelentése 1953. július 6-tól 11-ig)'

Vállalat (Earthenware and Glass Trading Enterprise), argued cautiously that in 1953 workers could not afford shoes, textile products, and upper garments. Rózsa proposed the reintroduction of OKÁ to benefit low-income workers. Rózsa deemed that workers would 'highly appreciate' consumer credits and even consider them as a form of social benefit.[34] In a similar vein, in January 1954, Pál Tóth asked the *Magyar Rádió* (Hungarian Radio) 'Why have not the relevant parties considered credits to increase living standards? Could not we reintroduce the OKÁ-system to purchase durables (bicycle, furniture, radio etc.)?' The secretary of Pest County Council VB answered Tóth's letter. He candidly reasoned that the government had higher priorities at the time than the question of durables, such as mitigating the housing crisis and the shortages of staples.[35] Private letters evidenced that people were willing to save and invest income voluntarily to improve personal living standards, but only if the state provided real incentives and support. It seemed as if it was not the state that people feared but rather the lack of state responsiveness to popular opinion.

From fall 1953, the PM was under pressure to manage monetary excess elicited by the Nagy government's policy to increase citizens' disposable income and the Stalinist state's slow transitioning from military production to satisfying consumer demand.[36] In late 1953, the PM considered the introduction of consumer credits as means to rechannel purchasing power to the state. However, the Ministry of Domestic Trade's inability to make commodities available compelled the PM to dismiss the idea.[37] Instead, the PM's proposal argued that financing private construction would help reduce purchasing power.[38] Although, on 18 January 1954, a

[34] MNL OL XIX-A-2-v/16d. 4652/1953. 'Rózsa Rezső levele Nagy Imrének (1953. október 31.)'
[35] MNL PML XXIII 3.b/3d. 357/1954. 'Tóth Pál levele a Magyar Rádiónak (1954. január 11.)'
[36] By February 1954, PM's report showed a significant increase in banknote circulation. While on 10 February 1953, available money stood at 2,880 million forints, a year later on the same day it was reported 4,030 million forints, 150 million more than the planned target. MNL OL XIX-L-1-aa/251d. 'Jelentés a kormányprogram megvalósításával kapcsolatos pü. feladatok végrehajtásáról (1954. február 22.)'
[37] MNL OL XIX-L-1-aa/251d. 'A lakosság megtakarításának fokozása, a takarékbetét-állomány növelése és ennek érdekében teendő intézkedések (1954. január 18.)'
[38] MNL OL XIX-L-1-aa/250d. 'Előterjesztés az egyéni lakóházépítések fejlesztéséről (1953. november 8.)'

report from OTP argued that financing private construction would not immediately decrease the quantity of money in circulation, the regime's commitment to establishing positive incentives to make people voluntarily save set the tone of the state's fiscal policy for the future.

3. Credits in the Interest of Welfare: the introduction of the private-construction scheme (1953–1954)

3.1. Housing Policy of the early 1950s

On 24 May 1954, Mátyás Rákosi, in his speech to the Third Congress of the Hungarian Communist Party, celebrated Hungary's anniversary of ten-year 'freedom' and spoke of the country's 'profound economic, social, political, and cultural transformation', which 'people never yet experienced in the country's thousand-year history'.[39] Citizens were generally pessimistic about the gravity of changes mainly because since the establishment of communist power in Hungary, economic deprivation was the everyday reality to many. Declining welfare was foremost embodied by the poor housing conditions of the country. In 1953, nine years after World War II, no extensive housing programme existed to provide for citizens' need of modern and healthy housing. Moreover, although the topic had been widely discussed by architects and politicians before and after the war, after 1949, Hungary's militarisation had systematically swallowed up funds from the consumer sector, making the housing question a 'stepchild' of communist economic policy.[40] After 1945, architects deemed that apart from the reconstruction of the existing housing stock, at least 200,000 new homes were immediately needed to match demand.[41] Although home construction loans had already been introduced in 1950, the regime's contractionary fiscal policy precluded mass participation in the government-funded home construction programme. Meanwhile, the communist regime also remained incapable of

[39] MDP, *A Magyar Dolgozók Pártja III. Kongresszusának Jegyzőkönyve* (Budapest: Szikra, 1954), p. 19.
[40] Keller, p. 104.
[41] Keller, p. 20.

building homes in sufficient numbers.[42] This is evidenced by the number of overall homes built during Stalinist industrialisation and mass migration from village to city when the regime's ideological insistence on the superiority of public housing prevailed. Even during times of general impoverishment between 1950 and 1953, the share of private home build (62,2 per cent) exceeded the rate of state home construction (37,8 per cent). In 1950–1953, only 38,435 homes were built privatively, 8,772 through state-subsidised credits, and 28,680 by the state alone.[43] Regardless the funding source, this was only a drop in the ocean.[44]

Before July 1953, people frequently petitioned councils and party organisations to gain adequate housing. This practice only intensified, and citizens' critique of the socialist regime's housing policy became more acute after July 1953, when the Nagy government admitted that people's welfare concerns had been legitimate and bound ministries and councils to establish complaints' departments.[45] These letters evidenced that in 1954, many people felt that throughout the preceding ten years, the regime had systematically neglected public housing and authorities communicated with them in terms of Stalinist propaganda.[46]

By early 1953, the housing issue became so severe that squatting became a weekly occurrence in Budapest districts. Authorities often used the police to remove squatters from illegally-occupied homes by force. Mood reports lamented that evictions were 'outrageous scenes' evoking the general disapproval of the public citywide. For example, in the VIII District of Budapest, a squatter threatened to pour sulphuric acid, sewage, and garbage onto

[42] Between 1950 and February 1954, three schemes were available to self-builders: OTP's home construction programme; FAGI for people employed on state farms (*sovhoz*); and the *bányászház-akció* for miners. In February 1954, the government merged both FAGI and the *bányászház-ackió* into OTP's home construction programme.

[43] Pál Forgács, László Cseh-Szombathy, and Sándor Kereszturi, *A Lakáskérdés* (Budapest: SZOT, 1958), p. 12.

[44] Forgács, Cseh-Szombathy & Kereszturi's study estimated the need for 310,000–470,000 homes nationwide in 1958. See Forgács, Cseh-Szombathy, and Kereszturi, pp. 21–22.

[45] 'Az 1953. évi július hó 3-ára összehívott Országgyűlés Irományai': '5. sz. Törvényjavaslat a lakosság bejelentéseinek intézéséről (1954. január 22.)' pp. 20-24.

[46] MNL OL XIX-D-4-i/148d. 'A belpolitikai rovat feljegyzése az "Igazságos lakáselosztást" című cikkhez érkezett levelekről (1954. november)'

council employees if they dared to relocate them by force. Squatters threatened to commit suicide or to 'exterminate' their own family in despair.[47] People's despair frequently turned into open collective action directly against unbearable housing conditions.[48] In September 1954, in the IX District, 400–500 people protested against the *Ingatlankezelő Vállalat* (Real Estate Management Enterprise—IKV). They threatened one of its employees by throwing him/her out of the window.[49] In the following month, 500–600 people protested against poor housing conditions in the same district. Authorities could only break up the protest by using a police battalion.[50]

As the secretary of Budapest City Council's Complaints Department summarised in 1955, people often argued that even 'in the tenth year of democracy, we could not even achieve as much as to provide the worker with a pleasant home'. The secretary reported that the tone of Margit Bónis' letter was typical of overall complaints:

> We were liberated ten years ago, yet I do not feel free. As if even today we would be living in the shelters. In the times of Horthy, I hoped for a better, more pleasant world, where we would have a home, but I have been disappointed. The difference is only that we could not even hope nowadays. Hope in what? If they would not even help a person like me, who should I trust? I would leave and emigrate, but I am Hungarian, where do I go?[51]

While the XII District Council reported that the number of home applications was 'dreadfully on the rise', the XVII District celebrated 'for a rarity if they managed to find a flat for a complainant'.[52] As time wore on, the tone of people's complaints became 'increasingly desperate'. One complainant, for instance, begged the chairman of Budapest City Council VB

---

[47] *Források Budapest Múltjából V/A, 1950-1954.*, ed. by Ferenc Gáspár and Klára Szabó (Budapest: Budapest Főváros Levéltára, 1985), pp. 405–6.
[48] BFL XXIII.102.a/1d. 'Budapest Főváros Tanácsa 1955. évi tervjavaslata (1954. szeptember 16.)' p. 144.
[49] BFL XXXV.95.c/47d. 268. ő. e. 'A pártszervezetek munkája és a dolgozók hangulata a Békekölcsön jegyzés előtt (1954. szeptember 21.)' p. 128.
[50] Gáspár and Szabó, p. 406.
[51] BFL XXIII.102.b/3d. '1955. március havi jelentés'
[52] BFL XXIII.102.b/3d. '1955. április havi jelentés'

to help solve her housing problem or she would turn against her own family in despair: 'Comrade Pongrácz, I beg you, if you do not want me to kill my children, help!'.[53]

On 5 November 1953, the PB discussed the findings of its self-commissioned research on the social, cultural, and working conditions of the 'working class'.[54] The special research committee, who by their admission had only just learnt about workers' tragic life quality during their 'fieldwork', came to a drastic conclusion about the overall living standards of the Hungarian 'working class'. The report argued that while people could not have been familiar with official statistics, they knew from personal calculations that the real value of their income continuously diminished as 'they could purchase less and less at the grocery, butcher, clothing shop, or the restaurant'. People told interviewers that 'costs [were] high but pay [was] little'.[55] The report found that people had the 'gravest complaints' about housing, as 'tens of thousands of unsettled housing requests had been laying in the apparatuses of councils, trade unions, party organisations, the party headquarters, and *Szabad Nép*.' The committee reported that 'Certain families [lived] in appallingly inhuman conditions' while 'a considerable portion of workers [lived] in intolerable circumstances.' The situation was 'especially intolerable' in industrial districts, such as Budapest, Tatabánya, Diósgyőr, Ózd, and Salgótarján, where often four to five people shared a room. In more extreme cases, some even lived in cellar and cave accommodations. The committee emphasised that the regime's lack of support for private construction laid the responsibility for the housing crisis almost entirely on the state, which

[53] BFL XXIII.102.b/3d. '1955. február havi jelentés' Many others also threatened to commit suicide in the period. See BFL XXXV.95.c/45d. 254. ő. e. 'Jelentés július havi postánkból (1953)' p. 3.

[54] In summer 1953, the Nagy regime established a special committee to research the living conditions of the 'working class'. The committee visited 30 factories, mines and construction sites and spoke with more than 500 workers. The committee considered their conclusion representative of the general living conditions of the working class nationwide in Hungary. For more on this research, see Andrea Pető, 'A Munkások Életkörülményei Magyarországon Az 1950-Es Években' (Unpublished PhD Thesis, ELTE, 1992), pp. 29–53.

[55] MNL OL M-KS 276. f. 53. cs. 145. ő. e. 'A KV PB által kiküldött öttagú bizottság jelentése… (1953. november 5.)' p. 12.

'nowhere near could satisfy demand, and potentially, will not be able to do so in the future'.[56] To initiate change, the committee made state support for private construction a top priority. The report concluded that the state should provide building plots and type designs to citizens free of charge. In addition, it argued that long-term loans and building materials would have to be made available and subsidised accordingly.[57] Essentially, the report broke with the Stalinist regime's insistence on the primacy of the state over the private sector in home build.[58]

3.2. The Introduction of the Home Construction Scheme in the Media

On 31 January 1954, *Szabad Nép* announced the Nagy government's resolution of support for self-build.[59] The article promised favourable terms and conditions. The article reported that councils 'must' provide workers with building plots should applicants agree to complete constructions by a two-year deadline. In order to help finance building expenses, the article promised that credits would cover 75 per cent of overall building expenditure at a two per cent interest rate for the maximum duration of 25 years. Regarding the PB's decision, the article argued that plots had to be suitable for *háztáji* (household-based production). It also confirmed builders' legal right to private property, suggesting that councils would be prohibited from allocating newly-built homes for *társbérlet* (flat-share) coercively.[60]

---

[56] MNL OL M-KS 276. f. 53. cs. 145. ő. e. 'A KV PB által kiküldött öttagú bizottság jelentése… (1953. november 5.)' p. 35. This challenges the view that authorities only recognised around the mid-1960s that the state on its own was incapable of building homes in satisfactory numbers. See Belényi, p. 295. The state's incapability to satisfy demand was also admitted by the PB in early 1954. See MNL OL M-KS 276. f. 53. cs. 157. ő. e. 'Határozat a magánerőből történő egyéni családi lakóházépítési akcióról (1954. március 2.)' pp. 65-71.

[57] MNL OL M-KS 276. f. 53. cs. 145. ő. e. 'A KV PB által kiküldött öttagú bizottság jelentése… (1953. november 5.)' p. 40.

[58] See also MNL OL M-KS 276. f. 53. cs. 157. ő. e. 'A KV IKO és a Könnyűipari Minisztérium közös javaslata a magánerőből történő egyéni családi lakóházépítési akcióra (1954. január 20.)' pp. 48-64.

[59] Apart from *Szabad Nép*, between 31 January 1954 and 2 February 1954, the same announcement was made in the majority of the regime's national news outlets such as *Magyar Nemzet*, *Népszava*, and other regional papers such as *Vas Népe*, *Viharsarok*, *Tolnai Napló*, *Délmagyarország* etc. as per the PB's resolution to publicise state support for home construction credits. In addition, the programme was also widely covered in the radio.

[60] 'A minisztertanács határozata a magánerőből történi családi lakóházépítések fokozott támogatásáról', *Szabad Nép*, 31 January 1954, p. 1.

The article presented a radically new conception of socialist housing to the Rákosi regime's previous practice. After years of propaganda about the benefits and superiority of nationalisations and public home build, the article not only admitted people's right to private accommodation and an income from renting their homes out but even promised to give financial aid to workers. Moreover, the article's permissive language, prioritising welfare over material costs, portrayed the scheme in a favourable light to citizens. Subsequent media reports of the scheme were no different in this regard. An article in February, for instance, spoke of 'juniors and seniors, young and weak-sighted grandmothers' consisting of 'working people, miners, peasants, rural teachers, municipal officials [and] newlyweds' as the scheme's targeted beneficiaries. The article, however, failed to mention that the Rákosi regime's economic policy effectively prevented the majority of the population from participating due to the lack of savings.[61]

Authorities resented that news coverage of the scheme 'aroused exaggerated illusions among workers', which 'higher authorities' later failed to address.[62] Council authorities explained that the scheme's media propaganda misled applicants as 'people were under the impression, that the government would give a plot and a loan, and through this, without any kind of personal contribution, [people] could build their homes.'[63] In fact, it was not simply the media but the scheme's overall legal design, which allowed for high societal expectations. For instance, the executive order—which, after a month delay, was only published on 28 February 1954—instructed councils to allocate plots to applicants within 14 days of receipt of applications.[64] Most councils, however, lacked available land to satisfy demand. Moreover, while the decree promised type designs for applicants free of charge, type designs would only

[61] 'Családi fészek', *Béke és Szabadság*, 24 February 1954, p. 10.
[62] BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)' p. 3.
[63] BFL XXIII.211.b/205d. 587/90. 'A családiház építő akció lebonyolítása terén most már mintegy 5 hónap tapasztalatai állnak rendelkezésünkre…'
[64] VKgM and PM Decree No. 1. of 1954 in *Magyar Közlöny*, X. (28 February 1954), pp. 79-86.

be released in March, and even then, they failed to consider personal requirements. In terms of building materials, the government promised a price cut of 20–30 per cent on building materials. The *Tüzelőszer és Építőanyag Kereskedelmi Vállalat* (Fuel and Building Material Trading Enterprise—TÜZÉP) depots, however, consistently failed to make building materials available to the public due to shortages.[65] The decree instructed enterprises to help employees' participation in the scheme by providing transportation and civil engineering services at cost price. The government, however, left the method of estimating cost prices unregulated, effectively failing to set a clear boundary between socialist and private property.[66]

While the Nagy government's early reforms in summer 1953 aimed to increase people's disposable income after years of contractionary fiscal measures under Stalinism, the PB's support for private construction aimed to realise the regime's promise of increasing the standard of living by giving a meaningful objective to people to save towards and invest their money in. However, with the home construction programme, it seemed, the Nagy government bit off more than what the planned economy built on Stalinist economic principles could chew.

3.3. Conflicting Visions between State and Society: self-sufficiency, profitability, and the household economy

The Nagy government's decree had a sensational impact among citizens, significantly exceeding the regime's expectation of popular interest. As a XI District Council report explained in September 1954, the announcement of aid to self-build 'touched on a very sensitive issue of [the] population'.[67] Immediately after the article's publication, thousands of requests began to pour into councils when council authorities had not even been instructed about how to implement the new programme. By 17 February, councils nationwide received

[65] 'A családiházak építéséről', *Esti Budapest*, 6 May 1954, p. 3.
[66] See pp. 190–192. of the thesis on the implications of this grey area in legal code.
[67] BFL XXIII.211.b/205d. 'Jelentés (1954. szeptember 30.)'

47,000 requests, although the government only planned to fund the building of 15,000 homes overall in 1954.[68] Budapest City Council alone received 3,900 applications while the number of enquiries was over 10,000 only up to 24 February 1954.[69]

The private construction scheme proposed to merge the socialist regime's humanistic principles with obtaining *személyi tulajdon* (personal property) and promoted 'self-sufficiency' through credits.[70] In terms of funding, self-sufficiency for the state primarily meant minimising state expenditure and maximising state revenue amid acute shortages of building plots, materials, and manpower. For citizens, conversely, it meant the opposite. State and society had conflicting expectations regarding the ideal ratio between public and private sources. The regime's plan served a pragmatic goal, namely, to reduce citizens' purchasing power by using the private home as an incentive and, simultaneously, increasing the standard of living. For citizens, owning a private home meant an escape from the unreliable state sector through state support.[71] Despite relatively high financial costs, the need for after-hour labour, and acute building materials shortages, the scheme provided people with an opportunity to acquire private property for privacy and household autonomy. While previously, the Rákosi regime considered these views as 'individualistic' and 'bourgeois sentiments' (*kispolgári nézetek*), after the announcement of the private home construction programme in January 1954, people began to embrace these goals openly due to the Nagy regime's inclusion of private home into

[68] MNL OL M-KS 276. f. 53. cs. 161. ő. e. 'Előterjesztés a Politikai Bizottság részére az egyéni lakásépítés helyzetéről (1954. február 17.)' p. 43.

[69] BFL XXIII.102.a/1d. 'Jelentés a magánerőből történő lakóházépítés... (1954. február 25.)' p. 8. See Appendix D on self-build loan applications registered by OTP between 1952 and 1957.

[70] Although 'personal property' was not a legal category, Hungary's communist constitution of 1949 acknowledged and proposed to protect 'property gained through labour'. This left space for varying interpretations of private property. A prominent legal expert of the communist period, Gyula Eörsi, argued in 1951, 'The distinction between private and personal property must be seen clearly […] to define the character of property gained through labour which is protected by the constitution.' See Gyula Eörsi, *A Tulajdonjog Fejlődése. A Kapitalizmus Tulajdonjoga, I. Kötet* (Budapest: Jogi és Államigazgatási Könyv- és Folyóiratkiadó, 1951), pp. 48–55. Legal debates over property types mostly became a matter of interest in ideological clashes between the reformist and the hardliner factions of the Communist Party both during Imre Nagy's New Course and the Kádár years.

[71] Pittaway, 'Retreat from Collective Protest: Household, Gender, Work and Popular Opposition in Stalinist Hungary'.

the semi-legal category of 'personal property' instead of 'private property'. This allowed additional space for feelings about personal autonomy flourish publicly.[72]

Citizens referenced the 'household economy' (*háztáji gazdálkodás*) as a legitimate escape to self-sufficiency. István Csörgő, for instance, argued that '[his] and [his] family's old wish had been to build [their] own family home and to maintain a household economy there'.[73] István Bodza requested a large plot for his orchard and beekeeping.[74] Individualistic goals, however, often continued to be framed in terms of the greater societal ideals of communism. In addition to the socialist redistributive economy, József György argued that his age-old desire to build a small home for his family would provide many options for a living. For instance, György wanted to devote his free time to a kitchen garden and to breed domesticated animals. He argued that the household economy would help raise personal living standards and contribute to 'building socialism' as 'what he produced for himself, he would not buy from the shop or the market'. While visions of citizens and the state about the public good of private construction somewhat met on the level of 'self-sufficiency', they collided concerning the terms of funding. György, for instance, specifically asked that although he did not have the 25 per cent required deposit, 'Does not a large family on small pay deserve help?'.[75]

Meanwhile, VKgM, responsible for the programme, learning from councils' complaints, soon recognised that the scheme was unsustainable. Issues primarily manifested in a severe mismatch between supply and demand, that is, between the number of available plots, building materials, manpower, and credits on the one hand and applicants on the other. In March 1954, János Szabó, minister of VKgM, instructed councils to prioritise among applicants by citizens' financial and material contribution (available savings and owned

[72] 'Hogyan lehet új családi házat építeni?', *Szabad Föld*, 7 March 1954, p. 3.
[73] BFL XXIII.204.f/58d. 'Csörgő István kérvénye (1954. március 15.)'
[74] BFL XXIII.211.b/205d. 'Bodza István kérvénye (1954. február 28.)'
[75] BFL XXIII.211.b/205d. 'György József kérvénye (1954. február 14.)'

building stock) to minimise the state's financial involvement in the self-build programme. By this time, Szabó's instruction did not even discuss the factor of social needs widely celebrated in media.[76] The sole requirement which acknowledged the regime's 'class policy' was applicants' obligation to enclose party references from shop and trade union committees. While people gaining an income outside the socialist sector continued to be excluded from participation, the government decree permitted councils to issue recommendations to 'non-employed persons', such as scientists, artists and writers, which in the coming years exacerbated social inequalities between workers and the intelligentsia.[77] Simultaneously, as the implementation of the home construction scheme brought problems with the socialist command economy to light, the ideological paradox between the private and the regime's conception of public interest increasingly widened.

3.4. Councils and the Politics of Attrition in Application Assessment

Regardless of the regime's attempt to formalise the application process, people continued to enclose personal letters to justify their requests. In these letters, people referenced their own and their families' working merits, status (e.g. a Stakhanovite), social needs, housing and health conditions, party references, and time wasted on commutes between home and work. Many framed these aspects in terms of the humanistic principles of socialism. In addition, people quoted the overall value of available building materials, labour power, and workplace support on application forms to satisfy OTP's minimum deposit requirement for loans.[78] Although the

[76] BFL XXIII.204.f/35d. 'A magánerőből történő lakóházépítés, bővítés és helyreállítás előmozdításával kapcsolatos tennivalók'

[77] BFL XXIII.204.f/35d. 'A nem munkavállalók építési kölcsön iránti kérelmeire vonatkozó javaslatok megtételével kapcsolatos ügykör szervezeti hovatartozása' On the regime's special treatment of artists in private home build, see MNL OL XIX-A-83-a B-1576/TÜK/1955. jkv. 'Feljegyzés Gerő elvtárs részére a 40,000 forintnál magasabb összegű egyéni lakóházépítési kölcsönökről (1955. október 17.)'

[78] OTP set the value and the maximum share of voluntary labour for each skilled job within the overall value of the deposit. For exact figures, see Pál László, Gyula Udvarhelyi, and Miklós Wolf, *Lakásépítés Állami Támogatással* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1959), pp. 99–100.

government decree bound councils to evaluate applications within 14 days, councils generally failed to keep this deadline. VKgM argued that it was due to councils' unexpectedly high workload. In February 1954, a shared report by VKgM and KV's *Terv-, Pénzügyi és Kereskedelmi Osztály* (Plan, Finance, and Commerce Department) exempted Budapest City Council from blame, claiming that it 'could not have prepared' for the prompt execution of the programme because of the 'unexpectedly high number of applications'.[79] In reality, however, it was not solely the number of applications but also the insufficient number of available plots, shortages of building materials, the high overall building costs, the insufficient savings of households, as well as the state's controversial instructions and media coverage which prevented councils from evaluating applications favourably and on time.[80]

Due to financial constraints, people realistically could only afford construction if they physically participated in the building process and obtained building materials from alternative sources to state depots.[81] Councils, however, often refused to consider these into the deposit if they deemed applicants would be unable to finish construction by deadline. When applicants' financial eligibility was indisputable, but the lack of building plots prevented land allocation, councils left applications unsettled, presumably in the hope that applications would eventually expire. This practice was especially prevalent in districts where the scarcity of available land was the most pressing issue in the programme's execution. A case in point was Budapest XI District, where the scarcity of plots was matched with an extremely high number of

[79] MNL OL M-KS 276. f. 53. cs. 161. ő. e. 'A Város- és Községgazdálkodási Minisztérium és a KV TPKO közös jelentése az egyéni lakásépítés helyzetéről (1954. február 17.)' pp. 43-46.
[80] See various reports from county councils to VKgM about issues with the scheme's execution in MNL OL XIX-D-4-i/174-178d.
[81] See section 4.1. of this chapter on building costs.

applications.[82] XI District Council even systematically failed to explain their basis of rejection to applicants, which further intensified widespread dissatisfaction with authorities.[83]

While during high Stalinism, councils had mostly no concern for public opinion, after the announcement of New Course in July 1953, the Nagy government made local authorities liable for the 'good and correct' execution of the government's 'good and correct reform decrees', especially in terms of improving citizens' welfare.[84] According to this view, the government was the architect of reforms, while councils only had to execute reforms 'correctly' to serve the 'public interest'. The regime envisaged that the 'second council law' of 1954 would make councils the 'direct [and] most democratic organisations of the masses'.[85] Instead, council members were continuously excluded from decision-making in their respective VBs. Moreover, with the democratisation and decentralisation of councils lagging behind, councils increasingly found that New Course reforms positioned them as buffers between the state and society to mediate popular dissent without any significant power allocated to them to help citizens. This experience even made authorities critical of the Nagy regime.[86]

In April 1954, Ferenc Radóczi, for instance, sought legal redress at XI District Council in order to get the council's rejection of his application overruled:

> Dear Comrades! When I came to the decision to participate in the home construction offer provided by the government programme, I thoroughly examined the government programme's provisions [with respect to home construction loans]. I visited both the Budapest City Council and OTP and demonstrated my case, referencing provisions from the government programme and newspapers with respect to other builders who construct in similar circumstances [to mine], when constructors in factories and brigades, jointly, together with their family's labour, could bring in 10–15,000

[82] Up until 18 May 1954, only 18,7 per cent of successful applicants could have been allocated a plot in the XI District due to the council's lack of available land. See BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)' pp. 7-8.

[83] The XI District Council was recorder in this regard. Up to 31 December 1955, the XI District Council had 411 applications pending. By this time, some of these applications had been pending for more than a year, significantly exceeding councils' 14-day obligation to reach a decision. See BFL XXIII.211.b/251d. 'Irányelvek a házhelyjuttatási kérelmek elbírálásához (1956. január 12.)'

[84] MDP, *A Magyar Dolgozók Pártja III. Kongresszusának Jegyzőkönyve*, pp. 459–60.

[85] Lajos Szamel, 'Az Új Tanácstörvény', *Társadalmi Szemle*, IX.8–9. (1954), p. 15.

[86] MNL OL XIX-D-4-i/176d. 'Kricskovics Antal, bajai tanácstag levele, "Irigylésre méltó népszerűség" (1954. november 11.)'

> forints, that is, that certain 25 per cent [deposit]. From both the Budapest City Council and OTP, I received the same advice, namely that, by all means, I could receive a loan […].

Experiencing the paradox between the Stalinist regime's insistence on determining individuals' worth through the principle of 'to each according to his contribution' for the 'building of socialism', and the Nagy government's credit check criteria first-hand, Radóczi explained the basis of his disagreement with the council's rejection in the following way:

> […] when the comrades read my enclosed [party] references, they saw that such worker wants to join the home construction programme who had accomplished, and presently accomplishes, serious work in building the people's democracy and socialism. Perhaps, I have not been able to put up the required amount because of this, as opposed to those who had not done social work, thus they could afford to put up the required amount [.] Due to this, it is not guaranteed that those will receive the plot primarily who have given the most to the building of socialism.[87]

In stark contrast to the regime's 'socialised' welfare management prevalent in the period, councils' bureaucratic approach towards evaluating self-build applications made many dissatisfied and estranged from councils.[88] It made people perceive the widening gap between communist ideology, which considered housing a basic human need, and reality, which showed that wealthier citizens had a higher likelihood of obtaining a private home. In general, councils deemed that their inability to satisfy citizens' needs worsened public mood.[89] János Berta complained to XI District Council about his application's rejection in the following way:

> It would be appropriate if the allocation committee would talk to the concerned parties and not simply take action pro forma in such questions of great significance. This opportunity has been given by our government precisely with the objective to help workers. On receipt of the enclosed notification, I, immediately, visited the

[87] BFL XXIII.211.b/206d. 'Radóczi Ferenc kérelme (1954. március 20.)'

[88] On the welfare state of socialist Hungary, specifically on the 'socialisation' of needs in early-socialist Hungary, see Lynne A. Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002). On the Rákosi regime's home allocation policy, see Ágnes Nagy, *Harc a Lakáshivatalban. Politikai Átalakulás És Mindennapi Érdekérvényesítés a Fővárosban, 1945–1953* (Budapest: Korall, 2013).

[89] MNL OL XIX-D-4-i/174d. 'A magánerőből történő lakóházépítésekhez OTP hitel biztosítása, Szabolcs-Szatmár Megye (1955. február 18.)'

> allocation committee […] who, essentially, did not even hear me out. I find this particularly erroneous.[90]

While XI District Council's conduct was radical in this regard, reports by other councils evidence that citizens' social needs and degree of 'contribution to the building of socialism' rarely played a part in credit checks nationwide; instead, council authorities' consideration of profitability criteria conditioned applications' outcome.[91] For instance, in 1954, the council rejected Rezső Schöndorfer's application—quoted in the chapter's introduction—on several occasions. In seeking legal redress, in April 1954, Schöndorfer insisted he could cover 44 per cent of overall self-build costs of an astonishingly low 27,000 forint. Schöndorfer proposed a deposit consisting of 12,000 forints cash, 28,000 bricks and other 'demolition materials' from demolition works of the Buda Castle, and windows and doors acquired through personal connections at the Ministry of Construction. In addition, Schöndorfer proposed to use his '26-year of experience in the construction industry' and other family members' after-hour labour to build his home and that his enterprise would provide engineering works and transportation at cost price. Overall, Schöndorfer reasoned that although the overall building expenditure would be higher than initially noted on his application form, the majority of this sum would be covered through alternative sources at his disposal as a director.[92] After months of exchange of letters, Budapest City Council's appeals' committee approved Schöndorfer's request. However, the outcome of Schöndorfer's case was an exception rather than the rule. While the government decree of the self-build programme allowed enterprises to provide transportation and civil engineering work at cost price to employees, the regime considered the acquisition of

[90] BFL XXIII.211.b/205d. 'Berta János és Berta József kérvénye (1954. április 26.)'

[91] In the postwar Soviet Union, a laxer policy in granting home construction credits led to indebtedness for many impoverished families. Hungarian authorities could have presumably learnt from this instance. See Robert Dale, 'Soviet Subprime: Petitions, Poverty and Rural Post-War Reconstruction' (Unpublished Paper Presented at the BASEES Annual Conference, Cambridge, 2022).

[92] BFL XXIII.211.b/205d. 587/90. 'Rezső Schöndorfer's kérvénye (1954. május 12.)'

building materials from enterprises for private use illegal, as the following section would reveal.[93]

4. Rising the Inequality Gap: constructing homes in an economy of shortage (1954–1956)

4.1. Price Hikes and Labour Costs

In the months following the scheme's announcement, citizens and authorities increasingly recognised that the programme generally favoured people of higher income. Citizenry complaints evidenced that the programme's targeted beneficiaries of 'average workers' generally struggled to participate in the scheme. While prices of building plots were heavily subsidised, the high deposit requirement, together with the credit ceiling of 40,000 forints, limited the scope of applicants and advantaged the wealthy. Councils, for instance, reported that most applicants could not even afford the minimum deposit to be eligible for credits. In Budapest alone, even after councils rejected a significant number of applications on profitability considerations, OTP only received 86 loan requests by 1 June 1954 out of the 516 that councils considered to be financially safe. Budapest City Council noted that this number was 'fairly minimal' and that most people 'presumably could not present' the required deposit to OTP.[94]

While authorities did not share building estimates with the public, keeping interested citizens in the dark, in July 1954 Budapest Party Committee's Industry and Transport Department calculated foreseeable costs for internal use.[95] The report estimated that even if building materials had been available in sufficient quantities, constructing a two-bedroom

[93] See, for instance, MNL OL XIX-D-4-i/174d. 'Deák József vállalati igazgató építési anyag vásárlási kérelme (1955. január 24.)'
[94] BFL XXIII.102.a/1d. 'Jelentés a családiház-építésekről (1954. június 3.)' pp. 91-92.
[95] BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)'

home with full utilities could cost 123,000 forints on average. The report accounted for 80,000 forints for building materials and 43,000 forints for labour and other expenses. Given that only state enterprises were permitted to purchase building materials at wholesale price, applicants could only reduce overall building expenses by deviating from type designs using 'cheaper materials such as rubble and mudbrick'.[96] The report evaluated, however, that 'significant savings' could be realised on labour. The report argued that the degree of savings on labour depended on the extent of constructors' contribution to the building process. The report estimated that the overall cost of a two-bedroom home 'realistically' could be reduced to 75–80,000 forints through reciprocal and unpaid labour through family help and other informal networks.[97] The report lamented that this price was still largely beyond 'ordinary workers' reach. Party authorities reckoned that the fact that mostly 'people in executive roles, Stakhanovites, and artists' took advantage of the programme until June 1954 confirmed this.[98]

While in early 1954, the scheme's media campaign made the public optimistic, the public mood quickly worsened upon the recognition that building costs were simply too high and were continuously rising despite fixed prices. Between 1954 and 1956, citizens complained nationwide that constructing a home privately in cities cost double OTP's credit ceiling. Workers at Békéscsaba spoke of credits 'resignedly' upon learning that even if they were granted the maximum credit allowance, they would still be unable to cover overall building costs for an 80,000 forints home on average.[99] People complained that high building costs 'made it impossible for a worker to build [privately], considering that [workers on average] earn[ed] between 600–800 forints maybe 1,000 forints per month'.[100] People with children

[96] In the 1953–1955, wholesale prices of building materials remained relatively constant. KSH, *Áralakulás Magyarországon 1938-Ban És 1949-1955-Ben*, p. 12.
[97] The practice was called *kaláka* and had a long tradition in Hungary; see Virag Molnar, 'In Search of the Ideal Socialist Home in Post-Stalinist Hungary', pp. 75–76.
[98] BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)' p. 3.
[99] MNL OL XIX-D-4-i/174d. 'Békéscsabai fűtőház dolgozóinak kérelme (1954. április 30.)'
[100] MNL OL XIX-D-4-i/178d. 'Tengeri Péter levele'

were especially disadvantaged to the extent that even authorities discouraged them to participate in the private construction programme.[101]

General impoverishment was a serious issue in 1950s Hungary that became even more apparent due to the home construction programme. In July 1956, SZOT estimated that 30–35 per cent of workers' households lived below the poverty threshold in 1955.[102] SZOT's report found that the ratio of earners to dependents conditioned the degree of poverty that workers endured. For example, SZOT estimated that single-earner families, even with only one child in 1955, generally fell below the poverty line.[103]

According to SZOT's calculation, Mrs Mihály Molnár's family from the village of Lesencetomaj was representative of many workers' households.[104] In May 1954, Molnár complained to the newspaper *Magyar Nemzet* (Hungarian Nation) about the various challenges her family encountered while trying to participate in the home construction programme. Mrs Molnár lived with her two children, a nine-month-old baby and school-aged boy, while her husband, being the breadwinner of the family, worked as a lorry driver 160 km away in the Rákosi regime's industrial model city of Sztálinváros (Stalin-city). The family lived off a monthly income of 1,600 forints which was 300 forints short of meeting the poverty-line estimate for a family of four. Nevertheless, despite being severely impoverished, the Molnár family decided to participate in the scheme. Soon, however, they realised that even if they were to cut back consumption further, building a home remained out of their reach. Mrs Molnár argued that it was not only the general unavailability of plots which hindered construction the most but also high building costs, which doubled as soon as the party announced the scheme

[101] MNL OL XIX-D-4-i/176d. 'Leibenbach Pál level (1956. május 21.)'
[102] SZOT based the poverty threshold on comparing worker household income to prices of 103 goods in the 'physiologically smallest essential amount' set below pre-1939 consumption standards. See MNL OL M-KS 276. f. 66. cs. 36. ő. e. 'Tájékoztató a munkás és alkalmazott családok létfenntartási költségeiről' p. 30.
[103] MNL OL M-KS 276. f. 66. cs. 36. ő. e. 'Tájékoztató a munkás és alkalmazott családok létfenntartási költségeiről' p. 31.
[104] Mrs Molnár's name is Molnár Mihályné in Hungarian. Similarly as in the previous chapters, Mrs is added before the name to reflect Molnár's martial status.

in the news.[105] Tapolca Constructors' Cooperative, for instance, quoted the Molnár family 50–55,000 forints to construct a two-bedroom home. A few weeks later the same cooperative told them that not even 70,000 forints would be sufficient due to price hikes of building materials. Mrs Molnár was even told that wood materials would have had to be purchased separately by her family due to an acute shortage. Furthermore, Mrs Molnár complained that service fees for skilled labourers, such as joiners, carpenters and tinsmiths had also doubled relative to the previous year. For instance, only for masonry works, excluding costs of building materials and transportation, Mrs Molnár was quoted 15–16,000 forints. In the previous year, the same job would have costed her family 6–7,000 forints. Mrs Molnár deemed that not even with credits and the saving of a further 1,000 forints from the family income each month could they afford to build a home privately. In response, VKgM offered no effective help and encouraged Mrs Molnár to build collectively by joining other applicants so '[…] [they could] save a great deal on labour expenses, and thus the building of homes would cost 20–25 per cent less compared to when [people] build with hardly verifiable craftsmen, or maybe *kontár*s [artisans working without a permit] of no competence.'[106]

In order to mitigate rising labour costs, both VKgM and the media consistently urged people to construct either through family support or together with other applicants in brigades to alleviate the financial burden of home construction. However, councils, quickly learned that most workers, not even in brigades, could afford to participate in the scheme. Moreover, workers' general impoverishment became evident through the case of the *Goldberger*

[105] In October 1957, the Communist Party's *Államgazdasági Osztály* (State Economic Department) argued that already before 1957, self-builders often 'speculated' with building materials. This was fostered by the government's inability to provide building materials in sufficient quantities to the public. In 1957 alone, supplies only covered around 27 per cent (15,000–20,000 homes) of self-build homes' roofing materials' requirement (64,000 homes). See MNL OL M-KS 288. f. 23. cs. 1957. 1. ő. e. 'Jelentés a spekuláció, korrupció, gazdasági természetű visszaélések elterjedéséről és ezek csökkentésére teendő intézkedésekről (1957. október 24.)' p. 182.

[106] MNL OL XIX-D-4-i/176d. 'Molnár Mihályné lesencetomaji lakos panasza családiház építkezésekkel kapcsolatban (1954. május 19.)'

Textilgyár (Goldberger Textile Plant) workers who co-applied for credits. Newspapers saw the Goldberger case's potential in promoting the regime's welfare propaganda and repeatedly reported about the Goldberger brigade's building progress.[107] While in February 1954, newspapers spoke of 76 applicants in the Goldberger factory, by May, this number fell to 39. *Esti Budapest* (Evening Budapest), for instance, dramatized events by reporting that one applicant left the council with 'cried-out eyes' after the council rejected his/her application. *Esti Budapest* blamed authorities for deserting workers in the execution of the 'government programme'.[108] On 22 April 1954, János Baranyai, vice-chairman of Budapest City Council VB, reported that the Goldberger workers applied with 1,500 forints cash or about the same value in building materials. The Plot Allocation Committee told an applicant who possessed only 2,500 forints cash and 980 forints monthly income that 'in his/her own interest, we cannot let him/her commence construction'. In return, the person in question 'sprung up furiously and left the committee'. Baranyai thought that if it were down to him to decide, '[he] would have allocated a plot only to one applicant out of the 20 because s(he) sold his/her house in the countryside thus s(he) had 30,000 forints available [in cash]'. In Baranyai's view, the Goldberger case 'was not promising', but deemed OTP's 'rigour' in credit checks 'to be a good sign [in turning down applicants with poor credit ratings]'.[109]

By November 1954, the Goldberger case had revealed several key issues that people nationwide experienced with the private construction scheme. Zoltán Koppány, the home-construction brigade-leader at the Goldberger Plant, informed the Council of Ministers in a private letter that his brigade was about to be disbanded in five days by its own members.

---

[107] For instance, see, 'A Goldberger-gyárban munkaközösség alakult a családi házak építésére', *Esti Budapest*, 16 February 1954, p. 1.; 'A Goldberger-gyár dolgozói brigádokban építik fel a családi házukat', *Népszava*, 17 February 1954, p. 4.; 'Nagy az érdeklődés országszerte a családiházépítés iránt', *Magyar Nemzet*, 17 February 1954, p. 4.; 'Segítsék az üzemi bizottságok a családi-ház építési akciót', *Munka*, 1 March 1954, p. 35.; 'Munkaközösség – családiház építésére', *Szabad Nép*, 8 March 1954, p. 2.; 'Új „falu" épül – Budapesten', *Szabad Ifjuság*, 20 February 1954, p. 2.

[108] 'A családiházak építéséről', *Esti Budapest*, 6 May 1954, p. 3.

[109] BFL XXIII.102.a/1d. 'Bejelentések telekigénylésről (1954. április 22.)' pp. 101-102.

Koppány reported that 41 houses had been under construction until November 1954. While acquiring building materials 'made many workers almost neurotic', the factory's providing transportation to workers 'developed into a prosecutor's case'. The prosecutor's office accused the factory leadership and Koppány himself of embezzlement for undercharging or not charging workers for any service fees. Koppány explained that no one even knew what the cost price was at the time. In Koppány's view, the prosecutor's' 'harassment' and 'vilification' 'caused uneasiness among workers' and impeded constructions.[110]

The Goldberger case and other similar incidents nationwide revealed a crucial paradox within the home construction programme's design. Namely, that the majority of the regime's targeted beneficiaries of 'ordinary workers' could not even afford to put down the required deposit. Besides the Rákosi regime's excessively contractionary fiscal policy of the preceding years, the Nagy government's reluctance to completely break with confiscatory measures further exacerbated the problem.[111] Even the Goldberger workers—whose projects had received significant media publicity and substantial preferential treatment from authorities—ran the risk of failing to complete projects to a deadline without further external help. This experience further reaffirmed council authorities' experience that applicants with the highest 'profitability' potential (available cash and building stock) should be prioritised. Paradoxically, it became increasingly evident that the scheme favoured wealthy households with high savings, high income, and fewer dependents.

The heavily-subsidised rates on which lands were sold further exacerbated inequalities in land allocation. Between February 1954 and March 1955, land prices were set at four forints / *négyszögöl* (square-fathom, one *négyszögöl* equals about 3,6 square metres) in villages, 6–10

[110] MNL OL XIX-D-4-i/176d. 'Koppány Zoltán levele (1954. november 18.)'
[111] For instance, see the case of the *Wilhelm Pieck Vagon- és Gépgyár* (Wilhelm Pieck Wagon and Machine Factory) workers in Győr. MNL OL XIX-D-4-i/174d. 'Viharos kérdés és felelet est a Wilhelm Pieck Vagon és Gépgyár Kultúrotthonában (1954. március 16.)'

forints in cities, and 8–12 forints in Budapest.[112] These rates were slightly increased in March 1955 to 4–6, 6–10, and 10–12 forints in villages, cities, and Budapest, respectively. Free-market prices of plots, meanwhile, stagnated around 50–60 forints / *négyszögöl* in the period.[113] Councils sold an average size of 200 *négyszögöl* plot in cities for a flat rate of around 2,000–2,200 forints irrespective of location. Meanwhile, depending on location, the real 'market' value of a similarly sized plot averaged 11,000 forints in the period. Heavily subsidised lands amid plot shortages advantaged wealthier applicants who often managed to secure plots through personal connections in higher market value places.[114] The system gave way for speculation with land to develop. For instance, in various villages in Hajdú-Bihar County, people requested plots from councils only to resale for 4,000–5,000 forints on the 'market'.[115] Although in April 1955, Hajdú-Bihar County Council reported that a legal reform brought the practice to an end, in October 1955, Szeged City Council lamented that 80 per cent of plots allocated in the city's 'nicest quarter' for 1,000–1,200 forints were resold for 10,000–12,500 forints on average.[116] These practices gave further excuses to communist hardliners within the party to oppose the home construction programme on account of the scheme's lack of 'class policy'.[117]

While the inaccessibility of the scheme left workers disillusioned with the promises of New Course, wealthier citizens whom councils considered to have benefitted from the programme also turned increasingly distressed. The lack of available plots, building materials, and credits put severe obstacles to delivering constructions to a deadline. These aspects will be

[112] VKgM and PM Decree No. 1. of 1954 in *Magyar Közlöny*, X. (28 February 1954), p. 80.
[113] VKgM Decree No. 1. of 1955 in *Magyar Közlöny*, XI. (26 March 1955), p. 209.
[114] BFL XXIII.102.a/1d. 'A juttatandó telkek négyszögölenkénti egységárának megállapításáról' (1955. október 13.)' p. 168.
[115] MNL OL XIX-D-4-i/174d. 'Feljegyzés Nezvál Ferenc miniszterhelyettes et. titkársága részére (1955. április 13.)'
[116] MNL OL XIX-D-4-i/174d. 'Juttatott házhelyek igénybevétele (1955. október 31.)'
[117] BFL XXIII.102.a/1d. 'A juttatandó telkek négyszögölenkénti egységárának megállapításáról' (1955. október 13.)' pp. 159-176.

addressed in the following sections to show how wide-ranging popular discontent developed directly with the home construction programme and indirectly with the regime prior to the 1956 revolution.

4.2. Shortages of Plots

In industrial and densely populated areas the plot question was the most pressing issue for councils to alleviate. For example, in the major industrial town of Miskolc, in March 1954 the council reported that due to the high number of requests for loans, the council had been unable satisfy demand due to the lack of plots.[118] In Budapest, where district councils received the highest number of applications nationwide, the allocation of building plots was especially complicated due to the scarcity of suitable land.[119] In Zala County, meanwhile, the county council experienced no delays in the scheme's implementation until April 1954 only because applicants in the area proposed to use private land for construction.[120]

Councils blamed the government's poor preparation for executing the programme. As early as 27 November 1953, Budapest City Council VB had already designated plots for sale 'in the interest of realising the new government programme' and in order 'to meet workers' demand unobstructedly'.[121] Nevertheless, plot shortages remained a concern for Budapest district councils until at least summer 1957, when the Kádár government reformed the plot allocation system along quasi-market principles and entrusted OTP with the programme's execution.[122] Between December 1953 and January 1954, IV District Council noted that most

[118] MNL OL XIX-D-4-i/174d. 'Miskolc Város Tanács VB elnök levele (1954. március 24.)'
[119] MNL OL M-KS 276. f. 53. cs. 161. ő. e. 'A Város- és Községgazdálkodási Minisztérium és a KV TPKO közös jelentése az egyéni lakásépítés helyzetéről (1954. február 17.)' p. 44.
[120] MNL OL XIX-D-4-i/174d. 'Jelentőlap a családi ház építkezés keretében juttatott házhelyek és kiadott építési engedélyről (1954. április 3.)'
[121] BFL XXIII.204.f/35d. 'Családi ház építésére felhasználható területek megállapítása (1953. november 27.)'
[122] MNL OL XIX-D-4-i/176d. 'Lengyel Ferenc házhelymegvonási ügye (1956. augusztus 1.)'

plots in their area were unsuitable for home construction because they were 'overwhelmingly inbuilt or lacked utilities'. The IV District Council chief engineer even noted that these lands 'were allocated incorrectly and not in the interest of [their] district's development'.[123] In the XI District, Budapest City Council VB put 101 plots at the district's disposal. However, only 86 were in satisfactory condition in the XI District Council's view. Even these plots were in varying conditions, and only a few were equipped with utilities such as water and sewage. Building sites were also difficult to access due to poor road conditions. Up until 18 May 1954, only 28 per cent of building sites were equipped with utilities, while 37 and 35 per cent had no sewage or any utilities at all, respectively, of the total 1,258 available sites (consisting of 1,790 plots) in Budapest.[124] Building sites often contained erected buildings and were heavily littered.[125]

Successful applicants' experiences confirmed the severity of the land issue. Until June 1954, Budapest district councils allocated only a small proportion of available land. Applicants rejected designated plots on account of unfavourable location, poor road conditions, and lack of utilities.[126] For instance, Ferenc Markalt claimed that had he accepted his allocated land, his building expenses would have been 100 per cent higher due to his plot being on a 45–50 degree slope.[127] In November 1955, István Völgyi, complained to IV District Council about the poor condition of his purchased land:

> What has been allotted [to me] was not a plot but a dump. I had to transport the rubbish [off the land] myself. The street has only just been arranged, although you had promised this [to take place earlier]. Do not just promise but take action. It has been enough of promises.[128]

[123] BFL XXIII.204.f/35d. 'Családi ház építésére felhasználható területek megállapítása (1954. január 14.)'
[124] Calculated from BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)' p. 7.
[125] BFL XXIII.211.b/205d. 'Jelentés (1954. szeptember 30.)'
[126] BFL XXIII.102.a.1. 'Jelentés a családiház-építésekről (1954. június 3.)' p. 91.
[127] BFL XXIII.211.b/206d. 'Markalt Ferenc kérvénye (1954. március 23.)'
[128] BFL XXIII.204.f/71d. 'Völgyi István kérelme (1955. november 30.)'

Sándor Soós, in a similar vein, complained that his land lacked utilities and the nearest accessible street was hundreds of metres away from the building site. This circumstance would have forced Soós to carry building materials to the plot by hand had he accepted the council's offer.[129] In May 1954, the factory committee at *Ózd Kohászati Művek* (Ózd Metallurgy Works) in the industrial town of Ózd reported that plots were on distant ridges which were especially difficult for constructors to approach.[130]

Although some districts had fared relatively better, the mismatch between the high number of applicants and available plots was extreme in the XI District on the Buda side.[131] According to a XI District Council report, 'when the question of councils' allocation of plots saw the light of day through the daily news, [XI District Council] received 1,200 applications in the shortest time.' Even after the first review, authorities considered 450 of them eligible for loans.[132] By November 1954, however, the number of allocated plots had only increased to 87. In XI District, the council's impotence became evident when the council only achieved allocating these few plots by involving applicants in establishing utility works through *társadalmi munka* (social work), that is, free after-hour labour. At one site, for instance, applicants agreed to dig out a 120–140 metre line ditch to help lay water lines. XI District Council deemed the situation unsustainable. Meanwhile, news coverage of the government's introduction of further options for private home acquisition 'only increased the already substantial interest among workers'.[133]

As discontent with the programme loomed large, Csongrád County authorities '[could not] understand' why the government prevented appropriating unbuilt private plots allocated

[129] BFL XXIII.211.b/206d. 'Soós Sándor kérvénye (1954. március 23.)'
[130] MNL OL XIX-D-4-i/174d. 'Tájékoztatás az ózdi kislakás építkezésekről (1954. május 6.)'
[131] According to Sándor Lakatos, director of Budapest Council's Agricultural Department, people mostly applied for plots in the prestigious residential Buda districts of II, XI and XII. See 'Több mint 4,000 házhelyet igényeltek eddig a fővárosban', *Magyar Nemzet*, 26 February 1954, p. 3.
[132] BFL XXIII.211.b/205d. 587/90. 'A családiház építő akció lebonyolítása terén most már mintegy 5 hónap tapasztalatai állnak rendelkezésünkre…'
[133] BFL XXIII.211.b/205d. 'Rendkívüli jelentés (1954. november 10.)'

in the 1945 land reform for use in the scheme. The council deemed the programme's execution impossible without this measure. In a desperate letter, authorities reasoned in the following way:

> The insolubility of [our] problems [i.e. the unavailability of plots] hinders the execution of home constructions to a such significant extent that we request the settling of these, because without this we cannot take responsibility with the time dragging on, as in villages, due to the lack of giving specific aid, really bad mood prevails in numerous places […].[134]

Having received complaints about prevailing issues with plot availability, in June 1954, the Council of Ministers eventually permitted councils to acquire unbuilt private plots. However, while the reform somewhat alleviated the land question for successful applicants, other factors such as shortages of materials and the lack of credits continued to impede constructors.[135]

4.3. Shortages of Building Materials

While in early 1954, the number of available plots prevented councils from satisfying popular demand, between July 1954 and the scheme's overall reform in summer 1957, the unavailability of building materials posed a further obstacle to the few who fared favourably in councils' vetting process. Even though the Nagy government promised to make building materials available for private construction, continuous shortages of brick, wood, cement, lime, roof tiles, and other essential building materials made private constructors' jobs difficult or even impossible at times.[136] Throughout 1954, 1955, and 1956, councils nationwide reported

[134] MNL OL XIX-D-4-i/174d. 'Csongrád megye területén folyamatban lévő családi lakóház építkezéseknél és házhelyjuttatásoknál fennálló és saját hatáskörünkben el nem hárítható akadályok (1954. március 25.)'
[135] MNL XIX-D-4-i/8d. 'MT. 1.045/1954 (VI. 23.) számú határozat a földreform során vagy később juttatott és még be nem épített házhelyekről' Also see in *Magyar Közlöny*, X. (23 June 1954), pp. 244-245.
[136] MNL OL XIX-A-83-a/523.jkv. (1954 március 16.) p. 11.

to VKgM that loan recipients frequently complained about the unavailability of building materials. Councils deemed that this influenced 'workers' satisfaction' with councils.[137]

By May 1954, Budapest depots' sale of brick exceeded the quota of the second quarter by 90 per cent. Meanwhile, only ten per cent of the required wood was available for erecting 2,500 homes planned for 1954.[138] In summer 1954, homebuilders in the XI District could only purchase brick 'bit by bit' due to perpetual shortages. This made the transportation of building materials onto sites 'almost impossible'. Even when builders successfully acquired materials in Budapest, *Teherfuvarozási Vállalat* (Freight Transport Enterprise—TEFU) only acceded to undertake transport for the public on weekends. The council argued that despite the Nagy regime's support of private construction, TÜZÉP depots continued to favour the public sector making the construction of private homes difficult.[139] Emotions about the torment of acquiring building materials through formal channels in the shortage economy of 1950s Hungary are best represented by the experience of József Fekete, who even in March 1958, complained to the IV District Council in the following way:

> […] The good deal of running about and worrying that we unsuccessfully perform to acquire materials, day after day, is a heroic activity […] Despite having the council's ticket for building materials, I get the response everywhere that they do not have it and they do not know when they would have it, and this goes on and on week-to-week, month-to-month. […] When we need to go in quest of building materials, I gnash my teeth and swallow hard, and then we leave in hope that we would have luck, but mostly it is the opposite. Having listed the above, I ask, how can we construct this way?[140]

While the unavailability of building materials was already prevalent in 1954, circumstances worsened in 1955 and 1956. From early 1955, the newly appointed Hegedüs

[137] MNL OL XIX-D-4-i/174d. 'Jelentés a lakossági kislakásépítés anyagellátásáról Győr Megye [sic] VB által (1954. június 12.)'; 'Lenti Járási Tanács kérelme (1956. június 6.)'; 'Családi lakóházakhoz építési anyagok biztosítasa (Törökszentmiklós, 1956. július 20.)'

[138] BFL XXXV.95.d/37d. 257. ő. e. 'Tájékoztató jelentés a budapesti magánerőből történő kislakás építési akcióról (1954. június 3.)' p. 4.

[139] BFL XXIII.211.b/205d. 'A telekjuttatások állásáról (1954. július 12.)'

[140] BFL XXIII.204.f/70d. 'Fekete József kérelme (1958. március 4.)'

government reverted to constraining private initiatives in the interest of the nationalised sector.[141] In March 1955, the Council of Ministers put a constraint on the free sale of building materials. From 1 April 1955, citizens could purchase building materials only in exchange for fodder grain, such as maize, through the system of *állami szabadfelvásárlás* (state purchase).[142] This measure further delayed the completion of ongoing projects.[143] Miners objected to the decree's irrationality and asserted that 'maize does not grow underground'. Moreover, they resented that the government practically cut them off from legal channels to acquire building materials.[144] Similarly, Sándor Vékony asked, 'How should a schoolteacher have maize?'[145] József Toki, a post office deliveryman, even questioned the 'forint's stability' and pondered whether he should invest his money in maize rather than keep his savings in an account at OTP.[146]

In November 1955, OTP reported that only 46 per cent of successful applicants drew on credits made available to them compared to the previous year's 61 per cent of the same period. OTP evaluated that the government block on building materials must be blamed for this 'fallback'.[147] In July 1955, Debrecen City Council lobbied the Council of Minister's Secretariat for special treatment directly. Debrecen City Council VB explained that the lack of credits and building materials prevented delivering constructions to a deadline. As a result, numerous houses stood without roofs. Authorities feared that the coming seasons would damage them permanently. In Debrecen, the council's impotence became increasingly evident when 250 workers from the *Járműjavító Vállalat* (Vehicle Repair Enterprise) applied for loans.

---

[141] On the political context of changes, see János Rainer M., *Nagy Imre 1953-1958*, pp. 110–24.
[142] MNL OL XIX-A-83-a 550323/7/a. jkv. 'A kukorica, a takarmánygabona és a kenyérgabona felvásárlásának meggyorsítása érdekében teendő intézkedések (1955. március 23.)'
[143] MNL OL XIX-A-83-b 3232/1956. 'Az iparcikk-juttatásos terményfelvásárlási akció rendezése (1956. március 17.)' p. 8.
[144] MNL OL XIX-D-4-i/174d. 'OTP Építési Kölcsön Osztály jelentése (1955. november 10.)'
[145] MNL OL XIX-D-4-i/178d. 'Vékony Sándor levele'
[146] MNL OL XIX-D-4-i/178d. 'Toki József építőanyag ügyében panasz (1955. április)'
[147] MNL OL XIX-D-4-i/174d. 'OTP Építési Kölcsön Osztály jelentése (1955. november 10.)'

However, due to building material shortages, the council had to turn them down.[148] In May 1956, in Baranya County, 'numerous' builders complained about the lack of materials which hindered the completion of constructions to a contracted deadline. People feared that OTP would cancel loans in return.[149] While the council deemed that most complaints were 'just', the responsible ministry blamed the limited availability of wood materials on excess demand, which came in the wake of the floods of summer 1954 and winter 1955–1956, and the earthquake of January 1956.[150] In summer 1956, VKgM acknowledged its inability to provide help. It claimed that the government's decree blocking the sale of building materials was presented to the ministry as a *fait accompli* 'with respect to greater considerations'.[151]

In March 1956, a Council of Ministers' report illuminated that while 'workers evaluated the relatively better provisioning of peasants unfair', 'peasants objected to long delivery times on industrial products'. The report found that the decree intensified bureaucracy and rendered the 'population's mood not satisfactory'. The measure even encouraged 'speculation'. Workers regularly purchased fodder and sold it in exchange for building materials to realise extra profits.[152] In March 1956, the Council of Ministers discussed that blocking the sale of building materials 'had done more harm than benefit', and it had to be revoked from 31 March.[153] However, even after April, councils frequently complained about the ramifications of the system nationwide, while VKgM and the Ministry of Domestic Trade in July 1956 claimed that they only heard about the system's abolition 'non-officially'.[154] In September 1956, VKgM suggested to complainants that comprehensive reforms were unlikely. VKgM argued that the

[148] MNL OL XIX-D-4-i/174d. 'Debreceni családi lakóházépítések előmozdítása (1955. július 14.)'
[149] MNL OL XIX-D-4-i/174d. 'Építőanyagok tanácsi utalványozásával kapcsolatos kérelem (1955. május 22.)'
[150] MNL OL XIX-D-4-i/174d. 'Baranya Megyei Tanács lakásépítési kölcsön keret igénylése (1956. augusztus 4.)'
[151] MNL OL XIX-D-4-i/174d. 'Lakossági anyagellátás (1956. július 2.)'
[152] MNL OL XIX-A-83-b 3232/1956. 'Az iparcikk-juttatásos terményfelvásárlási akció rendezése (1956. március 17.)' p. 8.
[153] MNL OL XIX-A-83-b 3232/1956. 'Az iparcikk-juttatásos terményfelvásárlási akció rendezése (1956. március 17.)' p. 2.
[154] MNL OL XIX-D-4-i/174d. 'Lakossági anyagellátás (1956. július 2.)'

government only planned to abolish the rationing of building materials 'in the short future' and considered introducing a new system based on reservation instead.[155]

4.4. Shortages of Credits

The lack of available credits further delayed the timely finish of construction. This even prevented councils from approving eligible applications in sufficient numbers. Councils voiced concerns about the generally high uptake of the home construction scheme. Between February and May 1954, Győr-Sopron, Veszprém, and Tolna County Councils reported the unexpectedly high interest in the scheme and requested the government to either increase their respective credit quotas or suspend the scheme temporarily to preclude widespread dissatisfaction with councils.[156] Councils believed their inability to satisfy popular demand was a potential threat to the 'government programme'.

In August 1954, just six months into the home construction programme, Budapest councils warned that OTP's credit quota was about to be 'depleted'.[157] For instance, István Csörgő's loan had only been disbursed in August 1955, more than a year after his application's approval in May 1954, due to the 'depletion of the OTP's financial envelope'. Regardless of available credits, however, Csörgő commenced building his home through private funds. Even in this exceptionally favourable scenario, Csörgő had to apply for an extension to his contract due to the unavailability of skilled labour and shortages of building materials.[158]

In the countryside, builders fared even worse. In Győr-Moson County, by 29 April 1954, councils received applications to the value of 15 million forints which the county's yearly

[155] MNL OL XIX-D-4-i/178d 'Tóth József építőanyag igénylése (1956. április 7.)'
[156] E.g. see MNL OL XIX-D-4-i/174d. 'Sürgős kérelem a családiház építési kölcsön keretének felemeléséhez (1954. április 29.); 'Házhelyek kiosztása Keszthely, Balatonfüred és Várpalota helyiségekben (1954. február 2.)'; 'Családi lakóházépítési kölcsönakció leállítása (1954. május 27.)'
[157] BFL XXIII.204.f/35d. 'Budapest Városi Tanács VIII. Építési Osztály (Fehér László) levele (1954. július 23.)'
[158] BFL XXIII.204.f./58d. 'Csörgő István kérvénye (1956. augusztus 10.)'

quota of 8,4 million forints failed to cover. The county even requested the scheme's suspension if VKgM could not raise the county's credit allowance. County authorities asserted that it only made sense to keep accepting applications if 'the probability of approving credits can be secured at least to a minimum level'.[159] In Tolna County, by 27 May 1954, OTP had only credited loans to 48 applicants to the worth of 1,2 million forints when authorities reported the county's credit quota for the financial year of 1954 had depleted. In May 1954, Tolna County Council VB warned that the number of applicants was on the rise and many had already sold their possessions to cover the deposit in order to be eligible for loans and 'there would be really serious political harm' if councils could not fulfil individuals' requests.[160] Councils generally took a pro-active stance in helping citizens to facilitate the timely finish of constructions but overwhelmingly along the principle of 'profitability'. As a XI District report argued

> The ordinary citizens had already invested their small capital into constructions, and it is feared that if they do not receive credits, these incomplete houses would not endure the coming winter's hardship. On the one hand, this would result in the deterioration of materials, and on the other, constructions could only resume under more severe circumstances next spring.[161]

In 1955 and 1956, the regime's reversion to constraining private initiatives impinged on private constructors nationwide. From 1955, the regime increased the weight of 'class policy' in estimating councils' credit quota. Instead of increasing the volume of credits available, the regime prioritised cities and industrial districts at the expense of agricultural areas. Consequently, in February 1955, the situation turned so severe in the overwhelmingly agricultural county of Szabolcs-Szatmár that the county's quota for the 1955 financial year could not even cover applications approved in the previous year. The county council argued

[159] MNL OL XIX-D-4-i/174d. 'Sürgős kérelem a családiház építési kölcsön keretének felemeléséhez (1954. április 29.)'
[160] MNL OL XIX-D-4-i/174d. 'Családi lakóházépítési kölcsönakció leállítása (1954. május 27.)'
[161] BFL XXIII.211.b/205d. 'Jelentés a családi házépítési akció keretében kiosztott házhelyekről (1954. augusztus 14.)'

that this had 'worsened the public mood'.[162] OTP deemed that even if the country's loan quota were increased, the regime's priority on industrial areas would not allow to evaluate applications from Szabolcs-Szatmár County favourably. Instead, OTP advised county authorities to prioritise applications with the highest degree of self-contribution, both in terms of cash and building materials, to minimise need for state assistance.[163]

By summer 1956, even local authorities began to question the rationality of the credit allocation system. In August 1956, authorities in Baranya County reported that citizens' 'interest in the scheme grew year-by-year'. As a result, they requested VKgM to increase the country's credit quota by two million forints. VKgM rejected the request and argued that demand for loans soared nationwide; thus, any increase would be impossible.[164] In September 1956, Győr-Sopron County Council detailed in a long letter that earmarking and dividing their county's credit quota among ministries, and especially prioritising workers employed at enterprises under the umbrella of the *Kohó- és Gépipari Minisztérium* (Ministry of Metallurgy and Machinery Industry—KGM), were nonsensical. Authorities argued that many workers employed in non-prioritised sectors (such as in local industry and council enterprises) had their applications rejected even though they qualified for loans. Meanwhile, however, 1,5 million forints remained unutilised on KGM's account. Therefore, council authorities asserted that 'Besides our delegated tasks, now we are requesting the right to break down credit quota on county level with reference to actual needs.'[165]

By summer 1956, it became clear that the new credit system was ineffectual, causing only frustration among citizens and authorities. However, the regime remained incapable of

[162] MNL OL XIX-D-4-i/174d. 'A magánerőből történő lakóházépítésekhez OTP hitel biztosítása (1955. február 18.)'
[163] MNL OL XIX-D-4-i/174d. 'A magánerőből történő lakóházépítésekhez OTP hitel biztosítása (1955. február 18.)'
[164] MNL OL XIX-D-4-i/174d. 'Baranya Megyei Tanács lakásépítési kölcsön keret igénylése (1956. augusztus 4.)'
[165] MNL OL XIX-D-4-i/174d. 'OTP kölcsön keretek felosztásával kapcsolatos észrevétel (1956. szeptember 4.)'

implementing institutional changes. Only the explosion of popular discontent in the revolution of October 1956 helped bring about meaningful reforms in the regime's self-build programme in 1957.

5. Conclusion

The chapter has shown that credits were important fiscal instruments in terms of welfare provisioning and shaping political stability from 1949 until 1956 in Hungary. In 1949, OKÁ loans improved the living conditions of workers' households and somewhat stabilised the prevailing political order. However, after the introduction of the first five-year plan in 1950, the regime began to rethink the role of credits to facilitate Hungary's militarisation and industrialisation along Soviet interests. While paradoxically, this policy broadened the regime's policy space, it also began undermining the regime's legitimacy. Although it was the Soviet leaders who initiated reforms in summer 1953, it became clear for some Hungarian communists that unlimited extraction of domestic resources in the name of 'socialist accumulation' was unsustainable and popular revolt was an imminent threat to the political establishment.[166]

After summer 1953, a party-commissioned research report into the economic conditions of workers found that Hungarian society was heavily impoverished and that the material basis of industrialisation stood on a slippery slope, rendering the regime incapable of financing changes immediately. Therefore, the PB agreed to involve the private sphere in financing welfare provisions, especially housing. Although the Nagy government's reintroduction of credits to promote self-build in early 1954 meant to strengthen the regime's acceptance in society, the private construction scheme increasingly came to undermine

[166] Bill Lomax, *Hungary 1956* (London: Allison & Busby, 1976), p. 19.

communist power. The regime's home construction programme not only confirmed that the regime's previous industrialisation policy was ill-conceived but also revealed key issues with centralised planning on the whole. The home construction scheme also proved that improving living conditions was only viable for the relatively wealthy. This realisation pushed a large group of impoverished workers further away from the system. At the same time, the various obstacles prevailing in the scheme's execution even antagonised the apparent beneficiaries of loan recipients.

While after 1957, the Kádár regime's propaganda insisted that post-revolution welfare reforms were independent of the uprising and their design had already been underway before October 1956, the home construction scheme showed that by summer 1956, the regime was incapable of administering even minor changes to improve welfare. By summer 1956, it became evident to citizens and authorities that it was not merely the scheme but the political establishment that needed reforms.

The next chapter turns to assess the international, domestic, and economic factors leading up to the October revolution of 1956. Through the lens of the lottery introduced in early 1957, the chapter will pay special attention to the post-1956 Kádár regime's reformed fiscal policy.

Chapter 5, Consolidating Money: the revolution, the lottery, and the politics of consumption (1953–1958)

1. Introduction

The lottery became a symbol of the Kádár regime's reformed fiscal contract after the end of the revolution in November 1956. However, the lottery's impact in Hungary cannot be discussed without an assessment of political and, crucially, the social and economic factors of both the pre- (1953–1956) and post-revolution years (1956–1958). These domestic and international economic and political conditions fostered the environment in which the Kádár regime's legitimation of power found fertile ground. Therefore, this chapter explores this subject through the lens of fiscal policy and public opinion between 1953 and 1958.

After Stalin's death in March 1953, the new Soviet leadership initiated a series of reforms in Eastern Europe. The Soviet Union, under Khrushchev's leadership, encouraged communist governments in Eastern Europe to raise the standard of living to strengthen their legitimacy.[1] In terms of economic policy, this ordinance compelled Eastern European governments to decrease investments in heavy industry to benefit agriculture and light industry to help raise consumption. In Hungary, reforms manifested in the Imre Nagy administration's New Course programme during the first phase of destalinisation between July 1953 and March 1955. While Hungarian society generally welcomed reforms at the outset, by late 1954, workers became increasingly disillusioned as the government failed to significantly raise the standard of living for wage earners and reassure society of its capacity to mitigate the housing crisis.[2] In January 1955, revived hostilities between East and West compelled the Soviet leaders to condemn Nagy's right-wing 'deviation' and approve the party's First Secretary, Mátyás

[1] On consumption in the Soviet Union under Khrushchev, see Kristy Ironside, 'Khrushchev's Cash-and-Goods Lotteries and the Turn Toward Positive Incentives', *The Soviet and Post-Soviet Review*, 41.3 (2014), 296–323. and Susan E. Reid, 'Cold War in the Kitchen: Gender and the De-Stalinization of Consumer Taste in the Soviet Union under Khrushchev', *Slavic Review*, 61.2 (2002), pp. 211–52.

[2] On the dissatisfaction of the skilled elite and the rural-urban divide under Nagy, see Mark Pittaway, 'The Revolution and Industrial Workers: The Disintegration and Reconstruction of Socialism, 1953-1958', *Hungarian Studies Review*, XXXIV.1–2 (2007), p. 127. On the continuously heavy tax burden of wage earners during the New Course see section 4.1. in chapter 2. On difficulties in resolving the housing crisis through private initiatives, see chapter 4 of this thesis.

Rákosi's hardline approach to domestic policy. From March 1955, the new administration resumed collectivisation and began to cut spending on consumption in favour of heavy industry to support the Soviet remilitarisation drive in the wake of German rearmament.

In the following months, the housing crisis worsened while most citizens' living conditions had failed to improve considerably. However, the state's repressive apparatus managed to keep resistance at bay. In March 1956, after the disclosure of Khrushchev's 'secret speech', the Hungarian Communist Party's crumbling authority accelerated to the extent that not even party organs and the ÁVH could contain public opinion anymore. With demands for democratic rights already in the making, the political environment enabled widespread anger with repression and material deprivation to break open. The culmination of this process was the 23 October 1956 revolution in which demands for democratisation and national sovereignty became entangled with everyday material questions, such as the value of wages, pensions, and the family allowance, the abolishing of concealed price increases and the childlessness tax, lowering the retirement age and solving the housing crisis among others.[3] After the invading Soviet Army crushed the revolution on 4 November, János Kádár's pro-Moscow government put raising the standard of living at the heart of government policy. After 1956 the Kádár regime's legitimacy rested on a mix of selective repression and economic concession.[4] While democratic rights continued to be denied to the public, the regime's pledge to raise the standard of living eventually rendered János Kádár's communist dictatorship a reasonable 'compromise' for most citizens.

Following Lawson's model of the development of revolutions based on three factors conducive to revolution, this chapter considers the June 1953–October 1956 period as an

[3] See, the 21 (originally 17) points of DIMÁVAG workers from Miskolc. 'A DIMAVAG munkásainak követelései', *Északmagyarország*, 25 October 1956, p. 1.
[4] János Honvári, *XX. Századi Magyar Gazdaságtörténet* (Budapest: Aula Kiadó, 2006); Pittaway, 'The Revolution and Industrial Workers: The Disintegration and Reconstruction of Socialism, 1953-1958', pp. 117–18; Romsics, *Magyarország története a XX. században*, pp. 402–10.

emerging 'revolutionary situation' in which favourable forces, both domestic and international, created circumstances conducive to the outbreak of the uprising.[5] One of these forces was Hungary's changing 'client-patron relation' with the Soviet Union after Stalin's death in March 1953. A second was the Rákosi regime's unfolding legitimacy crisis during the first wave of destalinisation, manifesting in confrontations between the hardline and reformer factions of the Communist Party and the formation of the regime's opposition of reform intellectuals. A third was fiscal strain, that is, citizens' declining purchasing power, which even after the implementation of corrective measures in July 1953, made citizens perceive that the communist regime had been persistently unable to increase welfare. Although the outbreak of the revolution cannot be attributed to economic factors alone, citizens' welfare experience was significant for 1956. The chapter argues that fiscal strain conditioned the uprising and helped legitimate the revolution in society. Citizens considered political liberty and national independence not solely as ends in themselves but also as means towards prosperity after years of penury during prolonged subordination of Hungarian living standards to Soviet foreign policy interests. While the Kádár regime severely crushed the political objectives of the revolution, the chapter argues that after November 1956, citizens justly considered economic concessions as products of the uprising, which helped stabilise the everyday lives of many after years of precarity in the postwar period, and especially under the Rákosi years.

The chapter is structured as follows. Section 1 assesses the process of destalinisation and its impact on Hungary between June 1953, the demotion of Mátyás Rákosi as prime minister by the Soviet leadership, and 23 October 1956, the outbreak of the revolution. The section focuses on the international, domestic, and economic aspects of destalinisation in Hungary. It assesses how these elements conditioned public opinion leading up to 1956. Specifically, the section shows the ways in which Soviet foreign policy changes impacted

[5] George Lawson, *Anatomies of Revolution* (Cambridge University Press, 2019), pp. 74–82.

Hungarian domestic politics and how these, in turn, increasingly made citizens interpret government failure in raising the standard of living as a sign of Hungary's lack of state sovereignty. Section 2 assesses the economic crisis of Hungary following the revolution in November 1956–May 1957. The section assesses the Kádár government's anti-inflationary measures, the quality and breadth of the government's conciliatory politics in terms of welfare reforms, and public opinion about government policy during the period. Section 3 assesses how the stabilisation of the currency increased purchasing power, and the Kádár government's newly reformed fiscal contract signified by the lottery provided the foundations of higher consumption in Hungary. Overall, the chapter argues that while economic and fiscal strain conditioned the outbreak of the October revolution, conversely, after November 1956, the consolidation of the forint's value and citizens' increased purchasing power helped legitimise János Kádár's dictatorship domestically.

The social aspects of the October revolution of 1956 have attracted considerable academic interest. Most studies during the Cold War suggested that overwhelmingly 'intellectuals' influenced events starting from summer 1953. Somewhat belatedly, only in October–November 1956 'students' and 'workers' emerge as active agents of political struggle.[6] While historians generally agree that the revolution enjoyed wide-ranging social support, even recent studies have predominantly focused on assessing the social composition of the revolution and the various actions of revolutionaries between October and November 1956.[7] This methodology has unwittingly suggested that the Hungarian masses rose against the

[6] E.g. see Paul Kecskemeti, *The Unexpected Revolution: Social Forces in the Hungarian Uprising* (Stanford: Stanford University Press, 1961); Paul E. Zinner, *Revolution in Hungary* (New York: Columbia University Press, 1962).

[7] Gábor Gyáni, 'A Forradalom Társadalomtörténeti Paradoxonjai', *Forrás*, 38.10 (2006), 27–39; László Eörsi, *The Hungarian Revolution of 1956: Myths and Realities* (New Jersey: Center for Hungarian Studies and Publications, 2006); László Eörsi and Zsuzsanna Varga, '"Saints of the Streets" The Participants in 1956', in *Resistance, Rebellion and Revolution in Hungary and Central Europe*, ed. by László Péter and Martyn Rady (London: Hungarian Cultural Centre London, 2008), pp. 227–37.; János Rainer M., *Az 1956-Os Magyar Forradalom* (Budapest: Osiris Kiadó, 2016), pp. 59–73; Ignác Romsics, *Magyar Rebellisek* (Budapest: Helikon, 2019), pp. 307–50.

Soviet oppressor and its local agents in Hungary spontaneously along more or less definite lines to either do away with communism or reform it along the lines of Imre Nagy's reform programme.[8]

The economic determinants of the revolt have been largely neglected in the historiography of 1956. This is intriguing for two reasons. On the one hand, historical and economic studies unanimously agree that the Rákosi regime's overambitious economic policy and the consequential fall in the standard of living damaged the legitimacy of communism before 1956.[9] On the other hand, the scholarship on 'Kádárism' argues that apart from coercion, economic concessions played a significant role in the speedy consolidation of János Kádár's rule in Hungary after the Soviet invasion on 4 November 1956.[10] During the days of the revolution, however, economic questions have been largely lost in the history of the uprising. Even those studies which set out to assess the economic origins of the revolution argued that—based on quantitative indicators—'the revolution did not break out predominantly due to economic concerns'.[11] Another quantitative analysis of interviews conducted with revolutionaries who fled to the West after 4 November 1956 reinforced this argument.[12] If declining living standards turned a large number of people away from the communist regime before 1956, and the Kádár regime indeed attained some degree of legitimacy only within months after seizing power through economic concessions, how was it possible that economic considerations were not prioritised by citizens during the uprising?

---

[8] Charles Gati, *Failed Illusions: Moscow, Washington, Budapest, and the 1956 Hungarian Revolt* (Washington: Stanford University Press, 2006); *The Hungarian Revolution of 1956: Reform, Revolt and Repression 1953-1963*, ed. by Litván György (London: Longman Group, 1996). Important exceptions are Lomax, *Hungary 1956*; Brown; Pittaway, *The Workers' State*.

[9] János Rainer M., *Az 1956-Os Magyar Forradalom*, pp. 59–73.

[10] György Földes, *Ívek És Töréspontok. Gazdaság, Politika, Ideológia 1945 Után* (Budapest: Napvilág Kiadó, 2018), pp. 107–22; János Rainer M., *Bevezetés a Kádárizmusba* (Budapest: L'Harmattan Kiadó, 2011).

[11] Katalin Botos, '1956: Paradigma-Váltás a Gazdaságpolitikában?', *Iustum Aequum Salutare*, III.1 (2007), 5–20; Romsics, *Magyarország története a XX. században*, p. 392.

[12] György Csepeli, Tibor Dessewffy, Dezső Dulovics, and Gábor Tóka, 'Az 1956-Os Forradalom Után Nyugatra Menekültek Attitűdjeinek Befejezetlen Vizsgálata Az Amerikai Egyesült Államokban', in *Évkönyv 1998* (Budapest: 1956-os Intézet, 1998), pp. 253–86.

In assessing this question, the chapter relies on a broad source base, including mood reports, minutes of workers' councils' meetings, party reports of economic decision-making, various contemporary statistics, as well as the fragmented collection of OTP's *Sportfogadási és Lottó Igazgatóság* (Sports Betting and Lottery Directorate—SLIG) relating to the lottery and the regime's new conception in fiscal policy. These sources, in combination with secondary materials, are used to assess the impact of economic and fiscal policy on public opinion in the 1953–1958 period. In sharp contrast to the Stalinist years, the limits on expressing popular opinion, as evidenced by mood reports, shifted on several occasions in the July 1953–1958 period. Instead of the regime's obsession with chasing 'enemies', from the introduction of Imre Nagy's reform programme in July 1953, the party's propaganda focus increasingly shifted to welfare questions. From March 1956, after the disclosure of the Soviet leadership's repudiation of Stalinist policies in party circles, the new Soviet line compelled MDP to develop more tolerance for public criticism. From this time onwards, complaints presented in reports became more direct and critical of the establishment as MDP's 'democratic centralism' crumbled. While from the introduction of New Course, economic concerns in mood reports might skew against issues of identity and nationalism, they provide invaluable insights into both authorities' conception of public opinion as well as citizens' view of the economy and material circumstances in the period as will be shown in this chapter.

2. Destalinisation and the Hungarian Economy (June 1953–October 1956)

2.1. The Geopolitical Determinants of Welfare: state and society at times of foreign policy changes (June 1953–December 1955)

In summer 1953, the international climate provided space for economic reforms in Eastern Europe. In March 1953, the long-time dictator of the Soviet Union, Joseph Stalin, died. In May and June, strikes broke out in Czechoslovakia, Bulgaria, and the GDR. Citizens' discontent

with poor living standards predominantly fuelled these strikes.[13] These events made the new Soviet leadership recognise that the domestic legitimacy of the people's democracies stood on shaky ground and that economic reforms were vital to sustaining Soviet supremacy over Eastern Europe.[14]

In Hungary, in June 1953, the Soviet leadership installed Imre Nagy as head of government to undertake reforms while keeping Mátyás Rákosi as the party's first secretary. From the announcement of Imre Nagy's New Course reform programme on 4 July 1953, hardliners centred around Rákosi stymied Nagy's reforms. Whether to facilitate agricultural production and raise consumption or continue heavy industrialisation was at the centre of debate within the party elite throughout Nagy's premiership until Nagy's removal from office in early 1955.[15]

In September–October 1954, the Western powers held discussions about the status of the Federal Republic of Germany in London. In October, they agreed to grant sovereignty to West Germany and allowed the country's admittance to NATO, which eventually took place in early May 1955. The Soviet Union interpreted this act as a threat to Soviet security interests. In response, in December 1954, the Soviet Union and its Eastern European allies condemned Western imperialism and agreed to continue developing military security in their spheres of interest.[16] While in early 1954, the international climate increasingly became unfavourable to Hungarian reformers, by late 1954, it turned entirely detrimental for undertaking further

[13] Pittaway, *Eastern Europe 1939-2000*, pp. 59–61.

[14] László Borhi, *Hungary in the Cold War, 1945-1956* (Budapest: Central European University Press, 2004), p. 230; Charles Gati, *The Bloc That Failed: Soviet-East European Relations in Transition* (Washington: Indiana University Press, 1990), p. 34; Mark Kramer, 'The Changing Pattern of Soviet–East European Relations 1953–1968', in *The Cambridge History of Communism: Volume 2, the Socialist Camp and World Power 1941-1960s*, ed. by Norman Naimark, Silvio Pons, and Sophie Quinn-Judge (Cambridge: Cambridge University Press, 2017), pp. 140–42.

[15] János Rainer M., *Nagy Imre 1953-1958*, pp. 9–21; Gyarmati, *A Rákosi-Korszak*, pp. 329–42.

[16] 'Befejeződött az európai béke és biztonság biztosításával foglalkozó értekezlet', *Szabad Nép*, 3 December 1954, pp. 1-2.

corrections. Meanwhile, in a bid for public support, in October 1954, Nagy turned to the public and disclosed the Hungarian leadership's intraparty quarrel in the press.[17]

Meanwhile, by late 1954, workers became increasingly distrustful of Nagy's reforms. Workers questioned the potential of an increase in the standard of living under Nagy due to the government's pro-peasant policies.[18] In late 1954, workers' distrust towards of regime intensified due to the party's return to war propaganda against the West. Having experienced that increased war propaganda entailed diminishing real wages during the Rákosi years, workers interpreted Hungary's plan to boost spending on national defence as a threat to welfare.[19] Meanwhile, the sudden turn in propaganda elicited confusion within factory party organisations. As one of the mood reports in Budapest argued, conversations among workers were 'undirected' and were out of the party's bounds. For instance, at the *Villamosgép és Kábelgyár* (Electrical Machine and Cable Factory), workers discussed that '[Hungary] should not have begun hostilities with Yugoslavia in the first place as Yugoslavia had already been on the path since 1948 which we have only just embarked on now'. Moreover, people were confused about the sharp turn in propaganda: 'how we have got from the "chained dog to a friend"?'.[20] As local party organs waited for guidance from the central leadership about ways to answer workers' concerns, Hungarian leaders convened in Moscow to receive instructions from the Soviet Union about Hungary's future orientation in domestic policy.

Hungarian welfare politics eventually became a casualty of shifting relations between East and West. In January 1955, Soviet leaders denounced the Hungarian prime minister Imre

[17] 'A Központi Vezetőség ülése után', *Szabad Nép*, 20 October 1954, p. 1.
[18] BFL XXXV.95.c/47d. 268. ő. e. 'Jelentés a dolgozók hangulatáról a Központi Vezeztőség határozata után (1954. október 22.)' pp. 132-133. and Pittaway, 'The Revolution and Industrial Workers: The Disintegration and Reconstruction of Socialism, 1953-1958', p. 127.
[19] BFL XXXV.95.c/47d. 268. ő. e. 'Hangulatjelentés a nemzetközi kérdésekkel kapcsolatban (1954. december 16.)' p. 137.; BFL XXXV.95.c/47d. 268. ő. e. 'Jelentés a dolgozók hangulatáról a nemzetközi kérdésekkel kapcsolatban (1954. december 24.)' p. 145.
[20] BFL XXXV.95.c/47d. 268. ő. e. 'Hangulatjelentés a nemzetközi kérdésekkel kapcsolatban (1954. december 16.)' p. 140.

Nagy in Moscow. They approved Mátyás Rákosi's hardline programme, which prioritised raising investments in heavy industry at the expense of light industry, agriculture, and public consumption. Khrushchev explicitly condemned Nagy's welfare reforms: 'War or no war, we must develop the industry. It makes no difference to have enough bacon; there will be trouble if there will be no aeroplanes'.[21] Consequently, in March 1955, the Hungarian Communist Party's KV stripped Nagy of his public roles and replaced him with Rákosi's *protégé* András Hegedüs as chairman of the council of ministers. Rákosi accused Nagy of 'right-wing deviance' and requested that he exercise 'self-critique'.[22] Nagy, however, refused. In the months following the KV's resolution, the new government abandoned Nagy's moderate programme. The government curtailed private initiatives, resumed the organisation of agricultural cooperatives, raised taxes, and doubled state-loan subscription quotas, among others; however, a complete reversal to Stalinism was no longer possible.

While the regime somewhat attained to tighten its grip around the workforce, the Soviet Union's change of foreign policy in promoting 'peaceful coexistence' between East and West began to impact the Hungarian party's credibility increasingly. In line with Soviet requests, in November 1955 the Hungarian Communist Party's KV accepted that 'peaceful coexistence' was possible with the West and that nuclear war between the two competing blocs was not inevitable.[23] While in late 1955, conciliation was the word of the day in party propaganda, this principle failed to translate to Hungarian domestic politics. In December 1955, Rákosi expelled Imre Nagy from the party to buttress his position as First Secretary in the changing political climate.[24] Meanwhile, the party admitted that the Rajk trial was staged; however, Rákosi refused to admit responsibility and blamed the trial on ÁVH and its director, Gábor Péter

[21] Rainer M. and Urbán, p. 147.
[22] MNL OL M-KS 276. f. 52. 28. ő. e. 'A politikai helyzet és a párt feladata (1955. március 2-4.)' pp. 1-13.
[23] MNL OL M-KS 276. f. 52. 31. ő. e. 'A Politikai Bizottság beszámolója az ország politikai és gazdasági helyzetéről és a párt feladatairól (1955. november 9-12.)' pp. 270-286.
[24] MNL OL M-KS 276. f. 53. 257. ő. e. 'Nagy Imre felelősségre vonása (1955. november 18.)'

personally.[25] While in late 1955, reform intellectuals centred around Nagy were critical of Rákosi, the party's suppressive apparatus remained loyal to the party and successfully quelled any signs of resistance in society.[26] Meanwhile, public opinion turned optimistic upon learning about détente between East and West and Hungary's joining the UN on 14 December 1955.[27]

2.2. The Twentieth Congress of the Communist Party of the Soviet Union and its Impact on MDP (January 1956–April 1956)

By the time of the Twentieth Congress of the Soviet Communist Party in February 1956, widespread discontent with Hungarian communism had already been in the making within Hungarian society. Undoubtedly, the regime's critique was most organised among reform intellectuals.[28] After February 1956, however, it was not only intellectuals' intensive critique which allowed space for change but also the party's crumbling legitimacy within the party's repressive organisations, such as local party organs, the police, and the secret police.

In 1955 and early 1956, occasional complaints within the party membership revealed that MDP's authority, even within the party, wavered. For instance, one anonymous letter submitted by a party member to Budapest Party Organisation discussed concerns about communist ideology's potency in Hungary over 24 pages.[29] At *Újpesti Bőrgyár* (Újpest Leather Factory), another worker argued that the party's overall ideological education had sunk into an administrative duty and, for years, local party organisations had been incapable of co-opting anyone new from DISZ. Furthermore, the party member heavily criticised the propaganda institution of house agitation. He argued that attrition among agitators was high, people had to

[25] György Gyarmati, *Taposómalom Taposóaknákkal. Írások a Megmagyarosított Államszocializmusról* (Pécs: Kronosz Kiadó, 2019), pp. 218–20.
[26] On the formation of intellectuals' opposition to the Rákosi regime, see György Litván, 'A Nagy Imre-Csoport Kialakulása És Tevékenysége 1955. Április–1956. Július', *Társadalmi Szemle*, XLVII.6 (1992), 89–95.
[27] For instance, see in BFL XXXV.176.c/42d. 147. ő. e. 'Hangulatjelentések a Gyapjúszövőgyárból'
[28] Kecskemeti.
[29] MNL PML XXXV.1.b. 2/403. ő. e. 'Névtelen dolgozói levél (1955. augusztus 19.)' p. 16.

be ‘caught by lasso’ for this task, and it was ‘completely impossible to achieve [political] results’.[30] While in early January 1956, the communists could easily suppress any criticism within and without the party, Khrushchev’s ‘secret speech’ at the Twentieth Congress of the Communist Party of the Soviet Union in February 1956 changed this condition. It accelerated the erosion of the party’s authority over its suppressive organisations.[31]

In late March 1956, the KV briefed its members about Stalin’s ‘crimes’, the ‘personality cult’, and the party’s new political direction.[32] From March 1956, reports nationwide informed Hungarian leaders of ordinary party members’ shock upon hearing the news. Ordinary members could not believe that Stalin, widely celebrated in Hungary before 1953, was now condemned by the Soviet Communist Party itself. While some were cautious about using ‘open critique’, not knowing how long the new direction would last, the KV’s letter opened up channels for critique previously blocked by the Leninist principle of ‘democratic centralism’.[33]

At first, party members found the letter ‘hard to comment on’ as ‘the personality cult could be felt in Hungary too’.[34] They argued that ‘the old path was made by the party’s present leaders. Stalin was celebrated in seminars and brochures. We do not know whether we are on the right path now.’[35] Ordinary party members in Hungary began to translate Soviet events to the Hungarian experience of high Stalinism. People pondered ‘whether there was a cult of personality in Hungary, and if yes, in relation to who?’.[36] While in late 1955, party reports argued that the execution of László Rajk in October 1949 was mostly discussed in intellectual

[30] BFL XXXV.176.c/99d. 376. ő. e. ‘Jegyzőkönyv az Újpesti Bőrgyár MDP alapszervezete III-as vezetőségválasztó taggyűlésén (1956. január 10.)’ pp. 229-231.
[31] For a more detailed account of the context of the congress and Khrushchev’s ‘secret speech’, see Donald Filtzer, *The Khrushchev Era* (London: Bloomsbury Publishing, 1993, pp. 17–29.
[32] For a detailed account of the reception of the speech by the Hungarian party leadership and the process of the speech’s dissemination within the party, see Balázs Apor, *The Invisible Shining: The Cult of Mátyás Rákosi in Stalinist Hungary, 1945-1956* (Budapest: Central European University Press, 2018), pp. 302–15.
[33] BFL XXXV.176.c/99d. 376. ő. e. ‘Jegyzőkönyv (1956. március 27.)’ pp. 211-212.
[34] BFL XXXV.176.c/99d. 376. ő. e. ‘Jegyzőkönyv (1956. március 27.)’ p. 208.
[35] BFL XXXV.176.c/99d. 376. ő. e. ‘Jegyzőkönyv (1956. március 27-29.)’ p. 209.; MNL OL M-KS 276. f. 66. 22. ő. e. ‘Feljegyzés a Központi Vezetőség július 18-i ülésének visszhangjáról (1956. augusztus 2.)’ p. 65.
[36] BFL XXXV.176.c/99d. 376. ő. e. ‘Jegyzőkönyv (1956. március 27-29.)’ p. 209.

circles, KV's denunciation of Stalinist 'crimes' made the Rajk trial a subject of public discussion. Communist party members began questioning Rákosi's credibility through personal memories of the Rajk trial propaganda.[37] For instance, László Mayer, a party member at *Újpesti Bőrgyár* (Újpest Leather Factory) argued that 'Comrade Rákosi said that Rajk's uncovering was due to his personal awareness. Now [KV] found the opposite. In regards to Imre Nagy, comrade Rákosi said that [Nagy] would have had to practice self-critique. Now Hungarian workers expect such self-critique from KV.'[38] Party members asked if Stalin was found guilty, then how come Rákosi had not been removed from office yet? Communists in MÁVAG resented that while they had been constantly persecuted on the shop floor, the Hungarian leadership remained unaccountable for 'errors'.[39]

2.3. The Economic Origins of Revolt: the second five-year plan, wage and price policy, and taxes (May 1956–October 1956)

In February 1956, Khrushchev's speech highlighted not only Stalin's political errors but also his mismanagement of the Soviet economy. The Hungarian leaders, however, refused to reach a similar conclusion about economic management under the Rákosi years. Notwithstanding, workers reckoned that Stalin's errors could be felt in Hungary too, 'especially in 1952, through meat and fat shortages', which 'should not have happened seven years after the liberation'.[40] Communists complained that 'the party distanced itself from workers and does not know their circumstances'. People increasingly questioned the integrity of the leadership and the party's will to improve living standards. For instance, at Újpest Leather Factory, one communist worker argued, 'It is not enough for KV to recognise its errors. [They] should come out to

[37] BFL XXXV.95.c/47d. 268. ő. e. 'Jelentés a főváros dolgozóinak hangulatáról (1955. december 23.) pp. 153-154.
[38] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. március 27.)' p. 208.
[39] BFL XXXV.145. 19. ő. e. 'Heti információs jelentés (1956. július 31.) p. 2.
[40] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. március 27.)' p. 208.

workers and see the conditions they work in.' Another party member said, 'Improving living standards must not simply be discussed, but the material means [to improve conditions] should be provided to workers.' Communist workers openly critiqued the communist state's fiscal contract: 'People were not listened to during peace-loan campaigns, and our pension law is equally wrong.'[41]

Although the party leadership learnt early on that the party's policy of 1949–1953 was a hot topic among workers, the PB refused to consider public opinion in making political decisions. Instead, the Hungarian leadership decided to appease society through moderate economic concessions. In early April 1956, the PB decreed the allocation of 60 per cent of new homes to workers. On 1 May, the regime implemented a general price reduction of consumer goods. On 1 June, this was followed by a general wage increase for low-income workers.[42] Furthermore, the reduction of working hours and a 25 per cent increase in living standards during the next five-year plan period were also discussed in the news as policy goals.[43]

In April 1956, the party made the second five-year plan a subject of open discussion.[44] Instead of strengthening the party's legitimacy, the party's request from citizens to comment on the plan had the opposite effect. It encouraged citizens to openly contest the communist leadership's authority through discussing the country's economic conditions and future prospects.[45] This further intensified frustration with the economic establishment. While in previous years, local party organs successfully suppressed public opinion and prevented the development of solidarity and open protest among workers, after April 1956, critical views of the country's economic prospects were out of the party's bounds and 'people discussed them

[41] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. március 27.)' p. 209.
[42] 'Az árleszállításról', *Szabad Nép*, 29 April 1956, p. 1; 'Az alacsony keresetű dolgozók bérének rendezéséről és a munkaidő csökkentéséről', *Szabad Nép*, 27 May 1956, p. 1.
[43] 'Irányelvek a magyar népgazdaság fejlesztésének második ötéves tervéhez', *Szabad Nép*, 27 April 1956, p. 3.
[44] 'Irányelvek a magyar népgazdaság fejlesztésének második ötéves tervéhez', *Szabad Nép*, 27 April 1956, p. 1.
[45] Pittaway, *The Workers' State*, pp. 207–8.

between themselves'.[46] Once being a dreaded force in factories, the party's revealing of 'crimes' during Hungarian Stalinism even diminished ÁVH's authority among workers as the organisation itself became hesitant to step up against 'counterrevolutionaries'.[47]

Citizens' feedback on the second five-year plan showed that workers were highly dissatisfied with Hungarian living and working conditions. As the number of workers' complaints after March 1956 doubled, 'day after day' factory party committees experienced workers' 'dissatisfaction with wages'.[48] At *Hazai Pamutszövőgyár* (Domestic Cotton Weaving Factory), workers deemed wages 'uneven, disproportionate [and] unjust' and considered the complete socialist wage system 'inefficient, and even senseless'. The factory party committee judged that improving the wage system was a top priority 'political task'.[49] In August, a report about workers' general mood in Budapest factories confirmed this view. The report argued that workers widely resented the present system's complexity for preventing them from calculating earnings.[50] As early as June, at MÁVAG, workers complained about state-loans and objected to the four per cent childlessness tax, the three per cent pension contribution, and even to paying their party-membership fee.[51] In factories nationwide, workers also frequently complained about the childlessness tax. Complaints were especially acute among women who had medical conditions preventing having children. In Budapest, workers found the childlessness tax incredibly unjust and deemed that the city's housing crisis prevented them from starting a family.[52] At the *Gheorghiu Dej Hajógyár* (Gheorghiu Dej Shipyard), in the workers' district

[46] MNL OL M-KS 276. f. 53. cs. 279. ő. e. 'A PB által kiküldött bizottság feljegyzése… (1956. április 5.)', p. 12.
[47] *Szuronyok hegyén nem lehet dolgozni!*, ed. by Gyula Kozák and Adrienne Molnár (Budapest: Századvég és 1956-os Intézet, 1993), pp. 15–16; Borhi, p. 241.
[48] MNL OL M-KS 276. f. 53. cs. 279. ő. e. 'A PB által kiküldött bizottság feljegyzése… (1956. április 5.)', p. 11.
[49] BFL XXXV.176/95d. 365. ő. e. 'Javaslatok a második öt éves terv irányelveihez (1956. június 1.)' p. 350.
[50] MNL OL M-KS 276. f. 66. 22. ő. e. 'Feljegyzés a Budapesti PVB Agit. Prop. Osztály megtartott kerületi osztályvezetői értekezlet és a budapesti üzemekben szerzett tapasztalatokról (1956. augusztus 2.)' p. 96.
[51] BFL XXXV.145. 19. ő. e. 'Információs jelentés (1956. június 18.)' p. 3.
[52] BFL XXXV.176.c/26d. 88. ő. e. 'Jegyzőkönyv (1956. augusztus 7.)' p. 302.

of Angyalföld (Angel Land) in the XIIIth District of Budapest, workers resented that 'at the time of the forint's birth, Hungary had more reparations to pay yet the forint's purchasing power was much stronger than what it is now.'[53]

By June, public opinion worsened to such an extent that Rákosi's position became untenable, yet the First Secretary refused to resign on his own initiative. After the *Petőfi Kör*'s (Petőfi Circle) 'press debate' on 27 June and the Poznań Uprising of 28–30 June in Poland, the Soviet Union decided to intervene to resolve the political deadlock within the party leadership. In early July, Mikojan visited Hungary and replaced Rákosi with Ernő Gerő, an associate of Rákosi, as the party's first secretary.[54] The Soviet Union's direct interference in Gerő's promotion further worsened the public mood. At the Gheorghiu Dej Ship Factory, workers ridiculed the decision and directly linked Gerő to Rákosi: 'gone our father, here comes our godfather'.[55] At MÁVAG, party members resented that 'Gerő was practically Rákosi's first assistant' and 'at the Second Congress, he was the one who introduced the increased plan proposal', so 'he also had an active role in errors associated with Rákosi'.[56] Workers in Budapest even proclaimed outright that Gerő 'hindered the development of the whole national economy' and that 'the working class can thank their penury' for him.[57]

While in April and May, communists already recognised that the second five-year plan, including its welfare provisions, stood on shaky ground, after Rákosi's demotion in July, they came to doubt that economic reforms were viable at all under the current leadership. Gerő's persona even made party members believe there was no guarantee for change. As the regime continued to reject thorough reforms, moderate economic corrections were implemented in

[53] BFL XXXV.136. 6. ő. e. 'Jegyzőkönyv (1956. augusztus 3.) p. 1.
[54] Anastas Mikoyan, 'Mikojan Távirata Budapestről... (1956. Július 14.)', in *Hiányzó Lapok 1956 Történetéből*, ed. by Szereda Vjacseszlav and Alekszandr Sztikalin (Budapest: Móra Kiadó, 1993), pp. 40–46.
[55] BFL XXXV.136. 6. ő. e. 'Jegyzőkönyv (1956. augusztus 3.) p. 2.
[56] BFL XXXV.145. 19. ő. e. 'Heti információs jelentés (1956. augusztus 13.)' p. 2.
[57] MNL OL M-KS 276. f. 66. 23. ő. e. '6. sz. jelentés a Központi Vezetőség július 10-i határozatának visszhangjáról (1956. július 25.)' p. 42.

July. On 1 August, the Hegedüs government cut the price of lard, fat, and wine and increased the price of liquor. The decision evoked mixed feelings. Workers complained that this measure again advantaged the state. In contrast, workers got worse off 'as the ratio of reductions did not correlate with the price increases of rum and *pálinka* [traditional Hungarian fruit spirit]'.[58] While workers resented direct taxes and other forms of monetary sacrifice enforced by the state, paradoxically, the abolishing of state-loans in July 1956 got a cold reception.[59] People questioned economic stability and pondered whether long-term prosperity would be achievable without state-loan deductions. Moreover, throughout July, August, and September, workers dreaded that new taxes or even food rationing would follow the termination of state-loans, and they might end up even worse off than before.[60] This feeling was undoubtedly fuelled by workers' shared experience of March 1953 and October 1954, when reduced state-loan quotas coincided with the introduction of the childlessness tax and the pension contribution.[61]

While workers generally welcomed reforms, many remained unsatisfied with general welfare, which they measured against memories of the standard of living of 1949. Regarding price cuts, workers complained that 'the price of fat was still far from its 1949 level'.[62] Even communists believed that the party was dishonest as in the past when in December 1951, the government abolished food rationing prices instantly doubled.[63] By 1956, workers became increasingly sensitive to concealed price increases which in 1949–1953 accounted for an additional 8–10 per cent increase to the 72 per cent change in the consumer price index in

[58] BFL XXXV.176.c/21d. 75. ő. e. 'Jelentés a területi politikai munka helyzetéről (1956. augusztus 21.)' p. 230.
[59] One of the reasons for this was that workers, since at least the beginning of New Course, knew that state-loans were not even introduced in either Czechoslovakia or Romania at all. See BFL XXXV.145. 19. ő. e. 'Információs jelentés (1956. július 23.)' p. 2. and MNL PML XXXV.1.b. 2/403. ő. e. 'Névtelen dolgozói levél (1955. augusztus 19.)' p. 16.
[60] BFL XXXV.145. 19. ő. e. 'Információs jelentés (1956. július 23.)' p. 2.; MNL OL M-KS 276. f. 66. 23. ő. e. 'Feljegyzés Kovács István elvtárs számára (1956. szeptember 28.)' p. 63.; BFL XXXV.136. 6. ő. e. 'Jegyzőkönyv (1956. augusztus 3.)' p. 1.
[61] Meanwhile, the regime refused to reconsider its tax policy. See 'Miért van Szükség a 4 Százalékos Gyermektelenségi Adóra?', *Budapest Népnevelő*, VI.9 (1956), 33–34.
[62] BFL XXXV.145. 19. ő. e. 'Heti információs jelentés (1956. július 31.)' p. 4.
[63] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. augusztus 15.)' pp. 193.

1949–1955.[64] Workers complained that 11 years after World War II, bread was often 'inedible' while high-quality fabrics from 1949 were no longer in production in 1956: 'The price is higher, but the quality is worse'. Even party members increasingly felt that what '[the party] gave with one hand, took it away with the other'.[65]

By August 1956, local party organisations could not suppress public opinion as even the 'majority of [party members] agreed in essence with [complaints about living standards]'.[66] By August, communists understood that 'it would be useless to say something that not even [them] believed' to persuade workers about the regime's commitment to delivering prosperity. Communists even raised the alarm about the futility of agitation: 'there is no point in house agitations as, incidentally or on purpose, [we] get to places where the family lives in similar conditions to ours […]. They tell us they earn 800 forints and by the end [of the conversation] we end up agitating each other'.[67]

While previously the central leadership provided the ideological basis to suppress public opinion, from August, amid the party's legitimacy crisis, the leadership was paralysed to the extent that it became utterly unable to exert authority over local party organs. In August 1956, in the IV District, one party delegate was 'incapable of answering problems' while (s)he insisted that 'the implementation of collective leadership will eliminate errors'.[68] On 7 August, Károly Kiss, a recently appointed member of the KV, in response to party members' questions about how to respond to 'hostile radio and news broadcasts', argued that there was no need to answer as 'we continue marching forward firmly on the road we have begun'. The regime's

[64] KSH, *Áralakulás Magyarországon 1938-Ban És 1949-1955-Ben*, p. 70.; MNL OL M-KS 288. 23/1957. 1. ő. e. 'Tájekoztató az 1957. évi tervjavaslatot és a népgazdaság egyensúlyát biztosító intézkedésekről (1957. április 27.)' p. 89.
[65] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. augusztus 15.)' pp. 194-195.
[66] MNL OL M-KS 276. f. 66. 22. ő. e. 'Feljegyzés a Budapesti PVB Agit. Prop. Osztály megtartott kerületi osztályvezetői értekezlet és a budapesti üzemekben szerzett tapasztalatokról (1956. augusztus 2.)' p. 96.; BFL XXXV.176.c/21d. 75. ő. e. 'Jelentés a területi politikai munka helyzetéről (1956. augusztus 21.)' p. 231.
[67] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. augusztus 15.)' p. 194.
[68] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv (1956. augusztus 15.)' pp. 194-195.

lack of perspective about raising the standard of living became most palpable in responses to party members' complaints about the housing crisis in Budapest; Kiss recommended that elderly people with relatives in the West should leave Hungary in order to free up apartments and 'the country would not lose much with letting them out'.[69]

After Gerő's promotion on 18 July 1956, citizens' outright rejection of Gerő and the Soviet Union's interference in Hungarian domestic policy drove the Hungarian leadership into a corner. By August 1956, not only intellectuals but workers also disputed Hungary's independence. People felt that 'the building of communism in Hungary was directed by a distant hand'.[70] Workers in Budapest explained that Gerő's appointment as First Secretary was due to Soviet demand and that 'now the Soviet Union directly interferes with the people's democracy's domestic affairs'.[71] Intellectuals and workers alike deemed that 'the whole Rajk case did not originate from Rákosi' and 'they saw a violation of the country's national independence' in the Rajk affair. Similarly, intellectuals asked, 'Why did Mikoyan have to come here to make Rákosi resign [when] everyone saw that this had to happen?'.[72]

As frustration with the communist establishment intensified, by August, workers interpreted their concerns about the standard of living in terms of Hungarian state sovereignty. Intellectuals in Budapest, for instance, blamed falling living standards on the Soviet Union. Moreover, they deemed both the selling of Hungarian uranium to the Soviet Union and the unequal forint-rouble exchange rate signified Hungary's unequal relationship with its Eastern neighbour. In late September, local party organs reported that copies of the Hungarian reform intellectuals' newspaper, *Irodalmi Újság* (Literary Newspaper), were 'read to bits' in

[69] BFL XXXV.176.c/26d. 88. ő. e. 'Jegyzőkönyv az 1956. augusztus 7. Duna Cipőgyár kultúrotthonában megtartott pártaktiva értekezleten' p. 295.
[70] BFL XXXV.145. 19. ő. e. 'Jelentés (1956. április 2.)' p. 2.
[71] MNL OL M-KS 276. f. 66. 23. ő. e. '6. sz. jelentés a Központi Vezetőség július 10-i határozatának visszhangjáról (1956. július 25.)' p. 42.
[72] MNL OL M-KS 276. f. 66. 22. ő. e. 'Feljegyzés az utóbbi napokban a dolgozók és az értelmiségieket foglalkoztató kérdésekről (1956. október 11.)' p. 128.

factories.[73] Due to popular demand, articles from the paper were even republished in factory newspapers.[74] As economic questions became inextricably linked with Hungary's relationship with the Soviet Union, by the time of the outbreak of the revolution on 23 October 1956, both intellectuals and workers believed that not only the Hungarian communist state prevented the implementation of meaningful economic reforms but also the Soviet Union itself.

3. The Socio-economic Limits of State Power: economic crisis, inflation and the new plan (October 1956–May 1957)

3.1. Aftermath of the Revolution

On 4 November 1956, the Soviet Army crossed the Hungarian border to crush the revolution and bring Hungary back into the Soviet Union's orbit. Imre Nagy, appointed prime minister on 24 October, fled to the Yugoslav embassy to avoid Soviet capture on account of withdrawing Hungary from the Warsaw Pact on 1 November. Meanwhile, on 7 November, the new secretary of the reconstituted ruling party, the *Magyar Szocialista Munkáspárt* (Hungarian Socialist Workers' Party—MSZMP) and the country's new prime minister, János Kádár, arrived in Budapest from Moscow to replace the Nagy government.

In November, Kádár's *Forradalmi Munkás-Paraszt Kormány* (Revolutionary Workers'-Peasants' Government) found the public administration and the party's local organisations disorganised, the country's infrastructure heavily damaged, and the economy near to collapse. While in November, the new government failed to exercise authority, workers' councils—the democratic organisations established during the revolution for workers' self-management—controlled production.[75] In a bid for power against competing political centres,

[73] MNL OL M-KS 276. f. 66. 23. ő. e. 'Feljegyzés Kovács István elvtárs számára (1956. szeptember 28.)' p. 61. On the impact of *Irodalmi Újság* in factories, see Gyula, pp. 14, 61, 310.
[74] For instance, see 'Miért hallgat a csepeli munkás?', *Fényszóró*, 17 October 1956, p. 2.
[75] For a detailed history of workers' councils, see Bill Lomax, *The Hungarian Workers' Councils in 1956* (New York: Atlantic Research Publication, 1990).

the Kádár government promised to preserve the revolution's economic and political achievements. However, as time wore on and wages were continuously disbursed despite frequent strikes and low production levels in November, the Kádár government stalled democratic reforms. Instead, it increasingly reoriented public discussions from politics to the economy in the press. The government even made workers' willingness to return to work a condition of improving the standard of living.[76] By 8 December, the government gave up negotiating with workers' councils and threatened to use force against protestors. On 8 December 1956, in the industrial town of Salgótarján, government forces killed 131 peaceful protestors of mainly worker backgrounds to show the governments' willingness to regain control by all means. Other violent incidents followed the Salgótarján shootings in the following days to suppress the government's opposition and buttress government authority. In response, the *Nagybudapesti Központi Munkástanács* (Greater Budapest Central Workers' Council—NKM) announced a two-day general strike for 11–12 December, which the government immediately outlawed. On the morning of 11 December, the communist leadership initiated the arrest of Sándor Rácz and Sándor Bali, leaders of NKM.[77] Although workers considered striking their only weapon to counter state power, they resented that they received no pay during the protest on 11–12 December.[78] At the same time, in the face of ongoing arrests, workers' councils feared that the government would label them 'fascists' or 'counterrevolutionaries' and deport them 'as the government could not care less about workers' demands'.[79] As the authority of workers' councils over production increasingly diminished, after 13 December, ongoing arrests and the non-payment of wages during strike days compelled workers to take up work in 'greater numbers' than before. Simultaneously, factory

[76] 'Hogy ne legyen infláció!', *Népszabadság*, 13 November 1956, p. 1.
[77] For a more detailed account of events, see Lomax, *Hungary 1956*, pp. 166–69.
[78] BFL XXXV.1.c/1d. 4. ő. e. 'Budapesti információs jelentés (1956. december 13-14.)' p. 167. and pp. 173-174.
[79] BFL XXXV.176.c/3d. 10. ő. e. 'Jegyzőkönyv, munkástanács 3. értekezlet (1956. december 14.)' p. 1.

party organs began to increase control over the workforce; however, the consolidation of the party's authority continued to be conditioned on the regime's ability to avert mass unemployment and inflation.[80]

3.2. Economic Crisis (October 1956–January 1957)

On 6 January 1957, the Communist Party's renamed newspaper, *Népszabadság* (Liberty of the People), announced that the government expected high inflation and unemployment due to economic turmoil in the wake of the October revolution. It asserted that wage reforms would only take place once the threat of inflation had been averted and production reached satisfactory levels. Furthermore, the government warned that during this time, unemployment was unavoidable.[81] The government foresaw the layoff of 400,000 people in the first quarter and a further 200–220,000 people in the fourth quarter of 1957.[82]

Upon hearing the news, revolutionary feelings reignited. In Budapest, workers argued that only 'through further strikes could these anti-popular measures only be revoked' and 'had the revolution won, the West would have helped to prevent the current downturn'.[83] A few days later, on 11 January 1957, in the industrial district of Csepel in Budapest, thousands of workers started protesting against the resignation of their democratically elected workers' council leadership, low wages, the prospect of a mass layoff, and the 50 per cent decrease of wages on days when coal shortages prevented work.[84] While political demands were not openly expressed during the protest, the crowd, predominantly young workers, waved black flags and

[80] BFL XXXV.1.c/1d. 4. ő. e. 'Budapesti információs jelentés (1956. december 13.)' p. 167.
[81] 'A forradalmi munkás-paraszt kormány feladata a legfontosabb feladatokról', *Népszabadság*, 6 January 1957, pp. 1–4.
[82] Honvári, *XX. századi*, p. 317.
[83] BFL XXXV.1.c/1d. 5. ő. e. 'A gazdasági intézkedések visszhangja Budapesten' p. 87.
[84] For a more detailed account of events, see Eszter Zsófia Tóth, 'A Csepel Vas- És Fémművek Munkástanácsainak Története (1956-1957)', *Múltunk*, 44.4 (1999), 163–98.

the national tricolour couching economic demands in symbols of the revolution.[85] The protest quickly escalated into a violent confrontation between workers and the regime's armed forces, leaving one worker dead and several others wounded.

The Csepel protest marked the end of a series of strikes after the Soviet Union had crushed the revolution on 4 November 1956. By early December 1956, the Kádár government gave up on peaceful negotiations with workers' councils and began suppressing dissenting voices. In consequence, by January 1957, similarly to the Rákosi era, open protest against the regime predominantly manifested in criticisms of the government's economic policy as the regime's political opposition was increasingly suppressed and pushed underground. In order to convince people of a better version of socialism than Stalinism, the Kádár government vigorously emphasised that it had put improving living standards at the heart of its economic programme.[86] In late December, however, as political repression intensified, the general economic downturn made workers concerned about a possible return to Stalinism. The announcement of the government's forecast of austerity in early January fuelled this widespread fear. The Csepel protest showed the government that while coercion was effective in the short-term to quiet the regime's opposition, economic issues, especially as citizens directly experienced them, posed a threat to the stabilisation of state power.

The economic consequences of the revolution were indeed severe. While before October 1956, the economy had already shown signs of crisis, after November 1956 the economic prospects reached a critical low.[87] Between 23 October 1956 and early 1957, economic damage amounted to 20–22,000 million forints, approximately one-fifth of the country's gross national income.[88] In terms of human capital, after 23 October, 193,888 people

[85] BFL XXXV.1.c/1d. 5. ő. e. 'Feljegyzés (1957. január 11.)' pp. 155–157.
[86] 'A Magyar Szocialista Munkáspárt ideiglenes központi bizottságának határozata', Népszabadság, 8 December 1956, p. 3.
[87] Iván Berend T., *Gazdasági Útkeresés 1956-1965* (Budapest: Magvető Könyvkiadó, 1983), pp. 13–16.
[88] Honvári, *XX. századi*, p. 310.

emigrated from Hungary while only 11,447 returned until May 1957, putting further strain on the country's labour supply.[89] The revolution decreased economic output by 13,4 per cent in the 'socialised' industry relative to 1956 plan projections.[90] In Budapest alone, 8,400 flats were damaged while a further 2,753 were rendered completely inhabitable putting further strain on the country's housing crisis. The public transportation systems also suffered severe damage impeding workers' return to work. After October 1956, production and productivity levels hit record lows since the country's postwar economic collapse. In November 1956, the overall level of production in the industry (without food industries) nationwide barely reached ten per cent, while in December, it only increased to 24 per cent in terms of the January–September 1956 average.[91] Even in January 1957, when industrial output was reported to have trebled compared to December 1956, production in the industry only stood at 60 per cent of January 1956 levels nationwide. Industry productivity was also 40 per cent below the previous year's average. The food industries, however, were largely intact and production remained constant relative to the January 1956 levels.[92]

The government envisaged that people would refuse to work amid the political upheaval following the revolution and that labour shortages, in turn, would hinder a swift economic recovery and prevent the regime's consolidation of power. The fear of loss of income among workers, however—especially after the government discontinued paying wages on strike days in December—made a growing number of workers return to work sooner than the government had expected. As a result, by early January 1957, 70 per cent of the workforce checked in for work regularly.[93]

---

[89] Honvári, *XX. századi*, p. 309.
[90] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az ország gazdasági helyzete (1957. január 10.)' p. 22.
[91] Honvári, *XX. századi*, p. 310.
[92] MNL OL M-KS f. 288. 23/1957. 21. ő. e. 'Előzetes tájékoztató a januári gazdasági helyzetről (1957. február 11.)' p. 2.
[93] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az ország gazdasági helyzete (1957. január 10.)' p. 3.

Instead of labour shortages, Hungary's acute energy crisis prevented the speedy stabilisation of production until late January 1957. After October 1956, coal production fell from two million tonnes in September to 254,000 tonnes of coal in November. Oil production also significantly decreased from 100,000 tonnes in September to 13,000 in November.[94] In December 1956, only about ten per cent of the required daily 4,339 megawatt power could be provided to critical enterprises in the metallurgy and engineering industry. Instead of the prerequisite of a daily 2,100 tonnes of coal for total capacity production, only 300 tonnes were available in the machine industry.[95] In the face of coal shortages and diminishing production rates, the regime began to shut down factories in late December to save on idle work. During compulsory leave, workers were only paid reduced wages as compensation. In December 1956, the government started to consider mass layoffs in an attempt to rationalise production further, only to find in January that economic incentives introduced in the mining sector began to yield results sooner than experts had expected.

3.3. The Inflation Threat and Financial Restructuring (October 1956–January 1957)

Between 23 October and late December 1956, the fiscal balance of Hungary gave reason for concern. Instead of the projected 1,342 million forint surplus, in January 1957, the government expected a 3,823 million forint deficit in the 1956 budget.[96] Citizens' and cooperatives' tax payments were 1,000 million forints under the expected budgetary estimate, while councils' revenue was a further 1,200 million forints short of the planned figure.[97] In the final fiscal quarter of 1956, the government could not collect more than 60 per cent of direct taxes (around

[94] Honvári, *XX. századi*, p. 310.
[95] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az ország gazdasági helyzete (1957. január 10.)' p. 3.
[96] In the financial year 1956, budgetary revenue was 7,701 million forints below the forecasted budgetary income. Due to revisions, the 1956 budget closed with an overall 1,066 million forints deficit, see PM, *Jelentés Az 1956. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1957).
[97] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az ország gazdasági helyzete (1957. január 10.)' p. 16.

730 million forints) from citizens due to widespread tax resistance and the disintegration of the regime's public administration system.[98] Until March 1957, tax payments were also reported as 'refused' nationwide as people claimed that 'we do not pay taxes to the Kádár government'.[99] While the abolishment of state-loans and the childlessness tax in July and December 1956 made tax revenue shrink, from December, government expenditure increased due to pay rises in critical industries in answer to strikes, work stoppages, and falling production levels. Previously a taboo, from December, the government vigorously used deficit spending to break up strikes to ease the country's energy crisis and to compel workers to return to productive labour.

As contemporary reports argued, after 23 October, the equilibrium between commodity and money 'unravelled'.[100] Production in most sectors lagged behind, but wages were disbursed uninterruptedly until early December. After 23 October, people began to stock up on food in fear of an imminent economic collapse. From mid-November, citizens began to exchange their savings not only for food but also for consumer durables. On the one hand, food shortages were largely avoided due to continued production of the food industries. Panic purchases, on the other hand, generated shortages of consumer durables (e.g. radio devices, motorbikes, washing machines, and high-quality fabrics). The government saw this as especially alarming as it considered consumer goods as means to balance excess purchasing power.[101] In fear of state default and monetary restrictions, citizens began withdrawing savings from OTP. As a result, demand deposits decreased by more than 50 per cent between November and December, from 1,060 million to 573 million forints.[102] Simultaneously, as people

[98] MNL OL XIX-A-39-a/II/1957/7d. 'Pénzügyminisztériumi beszámoló a lakosság 1957. évi I. negyedévi adófizetéséről' p. 1.
[99] MNL OL M-KS f. 288. 23/1957. 4. ő. e. 'A lakosság 1957. évi adókivetésének egyes kérdéseiről' p. 144.
[100] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Feljegyzés az inflációs veszélyről és elhárítása lehetőségéről' p. 288.
[101] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az 1956. évi népgazdasági terv teljesítése' p. 26.
[102] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Jelentés a januári gazdasági helyzetről (1957. február 13.)' p. 46.

increased spending and production lagged behind, the overall value of the country's commodity reserve halved from 14,000 million to 7,000 million forints. In 23 October–December 1956, Hungary's money supply expanded by 20 per cent from 5,800 million to 7,000 million forints. These parallel processes made the ratio between the total value of the country's commodity reserve and money supply shrank from the pre-revolutionary period's 2,4 in favour of commodities to one after November 1956.[103]

Since the currency reform of August 1946, financial autarky (exercised through issuing government debt, the tax system, the Stalinist regime's price and wage policy, and various other indirect measures) had formed the backbone of funding Hungary's budget and maintaining its balance. Unlike the postwar establishment, however, in the post-revolution period, the Kádár regime deemed that excessive dependence on domestic sources endangered the continuous increase in the standard of living and hampered the government's consolidation of power.[104] The revolution, in effect, forced the new government to reconsider the fiscal principles of the Stalinist state's 'socialist accumulation' policy.[105]

In order to increase consumption, in 1957, the government decreased capital investments to a critical low of ten per cent of national income. This was a radical change from the 1949–1955 period when capital investments averaged 21,4 per cent. As contemporary reports argued, the share of capital formation could not have been decreased any further in favour of consumption. In early 1957, experts feared that not even this radical change could offset increased consumption. Experts warned that in the long-term, continuous and sustainable increase in the standard of living would have to be achieved through the structural readjustment of the economy and new sources of revenue.[106] The Kádár government applied for long-term

[103] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Feljegyzés az inflációs veszélyről és elhárítása lehetőségéről' p. 288.
[104] MNL OL M-KS f. 288. 5/18. ő. e. 'Előterjesztés a gazdasági helyzetről és a legfontosabb tennivalókról' p. 21.
[105] Pető and Szakács, p. 370.
[106] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Jelentés a gazdasági helyzetről' p. 66.

loans to the Soviet Union to help modernise the country's obsolete economic structures.[107] In November 1956, the government even established a special committee to work out a comprehensive reform plan of the economy. The reform plan was concluded in May 1957; however, its implementation was taken off schedule due to political considerations.[108]

4. At the Crossroads of Ideology and Economic Pragmatism: consumption, leisure, and the lottery (January 1957–1958)

4.1. Economic Stabilisation and Wage and Price Reforms (January 1957–May 1957)

Despite the government's gloomy projection, by mid-January, the economy began to show signs of recovery considerably sooner than authorities had expected. While in December, workers believed that the government was weak for '[begging] miners to take up work through the radio and the news', by late January, coal production recovered to a satisfactory level showing that the government swiftly regained control over the workforce.[109] Instead of an expected 40,000 daily tonnes of coal, extraction reached nearly 60,000 tonnes by January.[110] The Kádár government used the same strategy as postwar democratic governments during the hyperinflation of 1945–1946 to increase industrial production: a mix of coercion and material incentives.

Against the backdrop of arrests, in early 1957, the government began implementing a 35 per cent wage increase in the mining industry. This measure made miners' nominal wages increase from an average of 1,643 forints in 1956 to 2,155 forints in 1957.[111] While during the entire period of the first five-year plan, the regime proposed to build 8,500 homes for miners,

---

[107] Honvári, *XX. századi*, pp. 325–31.
[108] On the activity of the *Közgazdasági Bizottság* (Economic Commission) led by István Varga, see Honvári, *XX. századi*, pp. 332–40.
[109] BFL XXXV.176.c/3d. 10. ő. e. 'Jegyzőkönyv, munkástanács 3. értekezlet (1956. december 14.)'
[110] MNL OL M-KS 288. f. 23/1957. 1. ő. e. 'Jelentés a januári gazdasági helyzetről (1957. február 13.)' p. 35.
[111] 'Szén!', *Esti Hirlap*, 28 April 1957, p. 1.

in December 1956, the government announced the completion of 10,000 new homes by 1957.[112] By January, people employed in the mining industry reached the 23 October level of 88,000 miners. Out of this, 50,000 workers were new personnel.[113] Although productivity in mining lagged behind, the government considered hiring a new workforce a significant achievement in its stabilisation policy.

As production increasingly recovered from the revolutionary shock, the forint began to stabilise. By late January, increasing production levels indicated the government had managed to avert inflation.[114] As a contemporary report submitted to the party's *Államgazdasági Bizottság* (State Economic Department) explained, the government's fixed-price system prevented inflation from manifesting in prices immediately. In addition, the cancellation of state purchases and agricultural products made available for domestic use from export also helped satisfy domestic demand.[115] Until the end of December, the country also received commodity aid to the value of 127 million forints which were distributed among citizens through the Red Cross free of charge.[116] Until 27 December 1956, the Kádár regime received foodstuffs and consumer goods from communist countries to the value of 170 million forints which were put into circulation to counteract inflation.[117] In January 1957, the government expected to receive commodity credits from socialist states to the value of $277 million.[118] These were further complemented by hard currency loans from the Soviet Union and China to the value of $94,9 million.[119] By early 1957, the overall value of savings deposited at OTP increased by 34 million forints in January and by 17 million forints only in the first seven days

[112] MNL OL M-KS f. 288. 4/8. ő. e. 'A gazdasági helyzet, az 1957. évi népgazdasági terv és az ezekből adódó feladatok' p. 14.
[113] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Jelentés a fogyasztói árszínvonal első félévi alakulásáról' p. 308.
[114] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az 1957. évi népgazdasági terv (1957. február 5.)' p. 29.
[115] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Feljegyzés az inflációs veszélyről és elhárítása lehetőségéről' p. 288.
[116] Honvári, *XX. századi*, p. 326.
[117] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Az ország gazdasági helyzete (1957. január 10.)' p. 15.
[118] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Jelentés a januári...' p. 43.
[119] Honvári, *XX. századi*, pp. 326–27.

of February.[120] By March, tax discipline had been restored to the pre-revolutionary level.[121] By February, money supply's growth stalled, and its level stabilised in the remainder of the year.[122]

After the energy crisis and inflation had been averted, from early 1957, the government extended wage reforms from miners to other occupational groups in the economy. In 1957, the government invested 5,500 million forints in wage increases.[123] In January, the government increased the wages of industrial workers, in March the technical staff, in April agricultural workers and teachers of primary and secondary schools, and in June public servants, health workers, and people employed in administrative roles.[124] By the turn of 1956–1957, between 70 and 75 per cent of the Hungarian workforce received a wage increase.[125]

The average nominal wage of workers grew by nearly 20 per cent, from 1,194 in 1956 to 1,430 forints in 1957.[126] In the first quarter of 1957, the number of families living below the poverty line decreased from 460,000 (33 per cent of all families) in April 1956 to 347,875 (25,6 per cent). This alone affected around 500,000 people.[127] Overall, in 1957, per capita real income and real wages increased equally by 20 per cent relative to the previous year.[128] Although citizens' cumulative payments of income tax and pension contribution increased by 71 million forints in the budget, and the government further deducted 317 million forints—paid out 'unlawfully' in the aftermath of the revolution—from wages, the abolishing of state-loans and the childlessness tax in July and December 1956 made wage-earner's income

[120] MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Jelentés a januári...' p. 46.
[121] MNL OL XIX-A-39-a/II/1957/7d. 'Pénzügyminisztériumi beszámoló a lakosság 1957. évi I. negyedévi adófizetéséről' p. 1.
[122] MNL OL M-KS f. 288. 23/1957. 33. ő. e. '1957. év gazdasági eredményei' p. 266.
[123] MNL OL M-KS 288. f. 4/8. ő. e. 'A gazdasági helyzet, az 1957. évi népgazdasági terv és az ezekből adódó feladatok' p. 14.; MNL OL M-KS f. 288. 23/1957. 1. ő. e. 'Bérgazdálkodásunk néhány problémája az ellenforradalom előtt' p. 259.
[124] MNL OL M-KS 288. f. 23/1957. 21. ő. e. 'Közgazdasági tájékoztató' p. 32.
[125] Honvári, *XX. századi*, p. 316.
[126] KSH, *Magyar Statisztikai Zsebkönyv 1958*, p. 176.
[127] MNL OL M-KS 288. f. 23/1957. 21. ő. e. 'Közgazdasági tájékoztató' p. 31.
[128] KSH, *Magyar Statisztikai Zsebkönyv 1958*, p. 176.

increase by 950 million forints in total in the first term of 1957.[129] These measures elicited a 0,5–1 per cent decrease in wages and a 4–5 per cent increase in citizens' income on average in 1957.[130] According to a family expense report conducted with the participation of 700 workers' families in Budapest in 1958, wage increases and the mitigation of citizens' fiscal strain made families' net income grow by 18 per cent in 1957 relative to 1956. The increase—the report explained—entailed an additional 1,500 forints income for each family member on average in 1957 relative to the previous year.[131] The structure of household expenses also changed. The share of spending on food, rent, and utilities decreased while spending increased on clothing and furnishing. The report concluded that families' spending on furniture and radio devices alone increased by 70 per cent in 1957 relative to 1956.[132]

In May 1957, the Kádár regime's propaganda argued that price increases were a prerequisite to providing the balance between purchasing power and commodities. It also noted that the Kádár government broke with the Rákosi regime's policy of increasing the prices of staples; instead, the May price increases primarily targeted the prices of durables.[133] Of the 2,800 million forints increase carried out in May 1957, 1,400 million was open price increase, and 440 million forints targeted the prices of import goods. The remaining 890 million forints was carried out as a concealed price increase.[134] The government expected surging increases to elicit considerable resistance in society. While citizens' critique of the government could be heard sporadically, party reports noted that people generally received the news with 'understanding'. Still under fear of inflation, people in Budapest argued, 'just let not be

[129] MNL OL M-KS 288. f. 23/1957. 21. ő. e. 'Közgazdasági tájékoztató' p. 40.
[130] MNL OL M-KS 288. f. 23/1957. 29. ő. e. 'Tájékoztató a reálbérek és reáljövedelmek alakulásáról (1957. november 7.)' p. 91.
[131] MNL OL M-KS 288. f. 23/1957. 34. ő. e. 'Jelentés 700 budapesti munkás és alkalmazott család jövedelme és kiadása 1957. évben' p. 34.
[132] MNL OL M-KS 288. f. 23/1957. 34. ő. e. 'Jelentés 700 ...' pp. 39–40.
[133] 'A részleges áremelés hozzájárul a vásárlóerő és az árualap egyensúlyának biztosításához és nem érinti az alapvető közszükségleti cikkeket', *Népszabadság*, 12 May 1957, p. 5.
[134] MNL OL M-KS 288. f. 23/1957. 1. ő. e. 'Jelentés a fogyasztói árszínvonal első félévi alakulásáról' p. 300.

inflation' and 'let not be worse than this, we will endure this'. Instead of blaming the regime, consumers accused merchants of selling low-quality goods in shops at higher prices. In sharp contrast to the Rákosi years, consumers complained about the prices of durables instead of staples. Women in Budapest complained about the prices of washing and sewing machines, newlyweds about the price of furniture, and self-builders about the prices of building materials. Others generally found the prices of bicycles and motorbikes too steep.[135] Overall, the government's open price increase resulted in a two per cent increase, while concealed increases accounted for a further 3–4 per cent increase in prices on average.[136]

The Kádár government's economic reforms significantly and suddenly impacted Hungarian society. The increases in real wages, the establishment of a stable currency, and the growing purchasing power of citizens in and after 1957 not only allowed citizens to purchase more, but even provided the prerequisite to the development of the 'socialist citizen-consumer' in Hungarian society.[137]

4.2. Consumption and New Opportunities for Leisure

In 1958, the communist party's newly-commissioned 'working class' research, based on personal interviews in factories, found that after 1956, workers became disinterested in political matters relative to the Rákosi years; however, party members thought that people acted under false pretences and presumably kept political views private to avoid confrontation with the regime. While it is difficult to measure the degree of change in workers' interest in public matters from the Rákosi years to the early Kádár period, ordinary citizens' indifference towards political questions seemed to be rather a result of the depoliticisation of everyday life than of

[135] BFL XXXV.1.c/1d. 5. ő. e. 'Áremelésekről hangulatjelentések 1957. májusában' pp. 252–253.
[136] MNL OL M-KS 288. f. 23/1957. 29. ő. e. 'Tájékoztató a reálbérek...' p. 91.
[137] Bren and Neuburger, *Communism Unwrapped: Consumption in Cold War Eastern Europe*, p. 9.

individuals themselves. When party members sought to hear workers' opinions on party matters, workers silenced themselves or redirected discussions towards economic, work or sport-related subjects.[138] Party members interpreted this as a sign of citizens' depoliticization as '[workers] could not care less about their workshop's problems, not to mention the country's affairs'.[139] Contemporary non-communist observers deemed that workers gave up on the revolution's political ideals.[140] Later historical accounts of the period referred to this as society's 'compromise' with the Kádár regime in exchange for 'economic concessions', among others.[141]

Unlike during the Rákosi year, after 1956, citizens were no longer pressured to form an opinion on the communist regime's political agenda. Although the communist establishment remained oppressive in most respects, the Kádár regime's new *modus operandi* in social policy, best summarised in the notion 'who is not against us is with us', allowed citizens to sidestep political matters as long as they did so quietly. The Soviet invasion of Hungary and the false promise of the West to support Hungary's liberation during the revolution undoubtedly shattered the hopes of many in exchange for which, without a better alternative, the consolidation of everyday life could seem a reasonable option. One Budapest worker, for instance, concluded to a party member that 'we have been a Turkish colony before and now we are a Russian colony' and we should never earn less than 2,000 forints per month.[142] Another report concluded that workers generally did not grieve the revolution; instead, they

[138] BFL XXXV.1.e/8d. 73. ő. e. 'Brigádvizsgálat a Corvin Áruházban és a VIII. kerületi Közértben' p. 297.
[139] BFL XXXV.1.e/8d. 73. ő. e. 'Jelentések a munkásosztály helyzetével kapcsolatos Központi Bizottság határozat végrehajtásának tapasztalatairól' p. 51.
[140] On Hungarian citizens' state of mind in the early 1960s as remembered in 1989 by the leader of *Csepel Művek* (Csepel Works) workers' council, József Bácsi, see Gyula, p. 73.
[141] János Rainer M., *Bevezetés a Kádárizmusba*, pp. 107–20. On the consolidation of communist power after 1956, see Melinda Kalmár, *Ennivaló És Hozomány - A Kora Kádárizmus Ideológiája* (Budapest: Magvető Könyvkiadó, 1998); Péter Kende, *Eltékozolt Forradalom?* (Budapest: Argumentum, 2006); Gábor Tabajdi, *Kiegyezés Kádárral - 'Szövetségi Politika', 1956-1963* (Budapest: Jaffa Kiadó, 2013); Péter Kende, *1956 És Ami Utána Következett* (Budapest: Kalligram, 2016).
[142] BFL XXXV.1.e/8d. 73. ő. e. 'Jelentések...' p. 23.

deemed that 'I cannot change the world, I rather care about myself, come what may.'[143] Workers conditioned their acquiescence to communist authority on personal satisfaction with the material realities of Kádár's Hungary.

As state restrictions eased, consumer spending on non-essentials rocketed. A report compiled about goods sold in Budapest showed that in 1957 the sale of durables significantly increased relative to 1956. The share of spending on food decreased from 51 per cent to 45 per cent in 1957. The report noted that of the 2,000 million forints excess turnover in Budapest retail, 31–37 per cent resulted from sales of durables. The sale of sewing machines, record players, bicycles, and furnaces increased by 75, 20, 20, and 145 per cent, respectively, relative to the previous year. Even though retail received 28 per cent more washing machines for sale in 1957, supplies persistently failed to satisfy demand. In 1957, increased real wages allowed citizens to spend on clothing. In 1957, the sale of cotton, wool, and silk grew by 72, 41, and 48 per cent, respectively, relative to 1956.[144] In 1958, at *Corvin Áruház* (Corvin Department Store) in Budapest, the stock of washing machines, vacuum cleaners, electric floor polishers, and electric irons was relatively high, but it still failed to satisfy demand. The store could not satisfy demand for furniture, such as cupboards and beds, or various types of floor mats and clothes, especially nylon garments. Electric appliances, such as washing and sewing machines, refrigerators, electric stoves, and electric irons, were in such demand that 'if the store received five pieces of them, there were at least 1,000 people who wanted to purchase them'.[145]

While state economic priorities continued to define citizens' consumption practices, after 1957, reforms, most notably growing real wages and the communist regime's partial withdrawal from citizens' private lives, increased citizens' fiscal autonomy and broadened

[143] BFL XXXV.1.e/8d. 73. ő. e. 'Jelentések...' p. 51.
[144] MNL OL M-KS 288. f. 23/1957. 34. ő. e. 'Jelentés Budapest 1957. évi gazdasági, szociális, kultúrális eredményeinek öszefoglalása' pp. 7–8.
[145] BFL XXXV.1.e/8d. 73. ő. e. 'Brigádvizsgálat...' p. 303.

leisure options.[146] Increasingly, from 1958, party agitators experienced a shift in public opinion from fulfilling basic subsistence to personal issues of leisure, such as family and love life, the purchases of clothing, and going on holiday; subjects which party hardliners continued to consider traits of 'bourgeois thinking' (*kispolgári gondolkodás*). From 1957, workers complained about obstacles in maximising personal free time for leisure. In addition, people raised the issue of the pervasiveness of alcoholism and its impact on family life. Women complained about being a mother and a worker at the same time. From being considered luxuries before 1956, this so-called 'second shift' (*második műszak*) of women increasingly made families consider consumer durables, especially home appliances, necessities of everyday life which helped maximise citizens' free time after labour.[147] This, in turn, began to increasingly impact the state's policy objectives in satisfying consumer needs. Meanwhile, as home appliances became increasingly accessible to workers, new types of commodities (such as cars, urban apartments, family houses and holiday homes, and domestic and foreign vacations) emerged as items of want. Instead of blocking access to luxuries, as during the Rákosi years, the Kádár regime began to engineer consumer desires and citizens' access to new luxuries, as will be assessed in the next section through the case of the introduction of the lottery in Hungary.

4.3. The Introduction of the Lottery

On 11 April 1957, OTP drew Mrs Sándor Ring's jackpot numbers on the lottery. Five months after the crushing of the revolution and little over a month after the first lottery draw in Hungary

[146] David Crowley and Susan Emily Reid, *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Evanston: Northwestern University Press, 2010), pp. 6–7.
[147] On relations between gender, household appliances, and the regime's conception of economic justice in the early Kádár years, see Annina Gagyiova, 'Modern Housekeeping Worlds; or, How Much Is Thirty Percent Really? Eigensinnige Consumer Practices and the Hungarian Trade Union's "Washing Machine Campaign" of 1957–58', in *Making Sense of Dictatorship: Domination and Everyday Life in East Central Europe after 1945*, ed. by Celia Donert, Ana Kladnik, and Martin Sabrow (Budapest: Central European University Press, 2022).

on 7 March 1957, Mrs Ring won 855,000 forints, nearly 51 times an average worker's yearly wage and eight times the average cost of a two-bedroom self-built home in 1957. Propaganda recognised the story's potential and covered Mrs Ring's fortune in the news for months to incentivise people to purchase lottery tickets.

Mrs Ring's story aroused considerable interest in society. According to news reports, the postman delivered congratulating letters and requests for monetary aid 'in big piles onto [Mrs Ring's] desk on a daily basis'.[148] Propaganda insistently argued that people not only envied Mrs Ring's fortune but also sympathised with her circumstances. A mother of six, Mrs Ring was a widowed 66-year-old woman who had lost her home in early 1945 during the siege of Budapest in World War II. She shared a poorly-furnished small accommodation with her two children and two other unrelated families.[149] In their news propaganda portrait, the Ring family's impoverishment seemed representative of large segments of Hungarian postwar society. Through lottery propaganda, however, the Kádár regime not only wished to persuade people to believe that material abundance was accessible even to ordinary citizens after several years of penury in the preceding years under Mátyás Rákosi's leadership but also to shift public opinion from the political sphere to the economic, and especially towards the economy's private dimension. On the one hand, despite ideological qualms, the regime considered the lottery a cost-effective fiscal instrument which helped raise budgetary revenue. At the same time, it also helped strengthen the regime's political legitimacy. On the other hand, society regarded the lottery as an affordable gateway to material abundance that cash prizes and consumer goods represented on weekly prize draws. As state-loans under the Rákosi years,

[148] 'Kedves Ring néni, küldjön 5000 forintot', *Esti Budapest*, 24 April 1957, p. 3. The custom of sending personal letters to lottery winners to request aid seemed to have remained common practice until at least 1971, as displayed in the film *Levelek az öttalálatoshoz* (Letters to the jackpot winner). For a review of letters sent to lottery winners, see OSA 356-1-1:1/15.
[149] 'Ötös találat a lottón', *Esti Budapest*, 13 April 1957, p. 1.

after 1957, the lottery became a symbol of the Kádár regime's reformed fiscal contract between citizens and the state.

While ideologic constraints, such as the communist regime's condemnation of 'gaining an income without labour', certainly played a role in abolishing the lottery's predecessor, the *osztályszámsorsjáték*, in 1950, it alone does not explain the communist regime's reluctance to reintroduce the game until February 1957.[150] From 1949, for instance, monetary prize draws had been organised among subscribers to state-loans on nearly a monthly basis. In these draws, bondholders participated in winning monetary prizes up to 100,000 forints or the repayment of bond tickets at face value. Workers, however, generally considered these draws to have been rigged and frequently criticised the prize structure of bond draws on the grounds of egalitarianism.[151] Instead of breaking down the jackpot prize of 100,000 forints into smaller sums to widen the circle of winners as both workers and local authorities frequently requested before 1956, PM was reluctant to change the system's foundation. The chance to become a 'small capitalist'—as a worker argued in early 1956—was considered by PM to have had a higher incentive to make people participate in the game than egalitarian principles.[152] Egalitarianism among subscribers to the state-loan was even condemned and policed by the party during bond subscription campaigns between 1949 and 1953.[153]

Instead of Marxist-Leninist fundamentalism, the communist leadership's lack of support for an additional scheme to the state-loan between 1949 and 1955 was predominantly fuelled by economic pragmatism. After 1949, as Cold War hostilities increased until 1953, the

---

[150] On the abolishing of the *osztálysorsjáték*, see MNL OL M-KS 276. f. 112. 53. ő. e. 'Az OTP átszervezése (1950. május 5.)' On Rákosi's retrospective view on the lottery's ideological conflict with his own conception of socialism, see *Rákosi Mátyás - Visszaemlékezések 1940-1956 2. Kötet*, ed. by István Feitl, Márta Gelléríné Lázár, and Levente Sipos (Budapest: Napvilág Kiadó, 1997), pp. 772–73.

[151] For instance, see BFL XXXV.95.b/87d. 306. ő. e. 'Földvári Rudolf levele Olt Károly pénzügyminiszternek (1953. november 27.)'

[152] BFL XXXV.176.c/99d. 376. ő. e. 'Jegyzőkönyv, 1956. március 27–29. alapszervi taggyűlés' p. 208.

[153] Party members sarcastically referred to workers' solidarity to divide cash prizes equally among themselves as *egyenlősdi* (playing equality). E.g. see BFL XXXV.95.b/86d. 299. ő. e. 'Hangulatjelentés' p. 46.

Rákosi regime prioritised maximising the state's public policy space through coercive state-loan campaigns at the expense of citizens' fiscal autonomy to prevent savings from ending up on the socialist market of shortage. As a result of the regime's confiscatory fiscal policy, households had less and less disposable income during high Stalinism. Real wages had fallen year by year between 1950 and 1953. Even when wages began to increase from 1954, real wages failed to exceed their 1949 level until 1956 due to concealed price increases. In 1957, a report compiled by SZOT evaluated that while in 1949 households on average spent 43,3 per cent of income on food and 20,4 per cent on clothing and rent, by 1953 expenditure on food increased to 57,1 per cent while expenses on clothing and rent reached a record low of 15,1 per cent. Although in 1956, household expenses on clothing and rent increased to 21,7 per cent, spending on food continued to stagnate at 52,1 per cent. This meant that even in the favourable year of 1956 when the share of household expenditure stood closest to 1949 levels, citizens' share of income available for non-essential items remained considerably low. Most earnings were spent on bare subsistence, as often experienced in underdeveloped countries.[154] Citizens' lack of savings correlated with the decrease in the sale of betting pool (*totó*) tickets between 1948 and 1956.[155] While in 1948, people purchased 22 million tickets, by 1952, this number increasingly fell to seven million, then slightly increased to nine million in 1953. Only after the implementation of economic reforms by the Imre Nagy administration in summer 1953 did the sale of betting pool tickets increase to 20 million in 1954, 61 million in 1955, and 56 million in 1956.[156]

During the early-socialist period in 1949–1956, the communist regime's excessive focus on increasing investments at the expense of consumption made finance authorities accept

[154] MNL OL M-KS 288. f. 23/1957. 21. ő. e. 'Közgazdasági tájékoztató' p. 10.
[155] The betting pool was introduced on 19 October 1947, and it has been in service since.
[156] MNL OL XXIX-L-3-g/28d. 'A totó és lottó játékok fejlődése, a játékok jelentősége népgazdasági szempontból (1958?)'

that without the supply of durables, cash prizes of a new gambling scheme could not attain considerable popularity.[157] They reckoned that revenue from the lottery would be negligible, especially relative to state-loan receipts. From late 1953, nonetheless, to counteract the sudden increase in the money supply after the implementation of economic reforms by the Nagy cabinet, PM began to contemplate the introduction of the lottery. In January 1954, the finance minister, Károly Olt, argued in a report that 'society's interest towards monetary gains must be capitalised on' to drain households' purchasing power. Having learnt from the success of the East German lottery (*Berliner Bären-Lotterie*) introduced in East Berlin in the wake of the June uprising in October 1953, and later nationwide in the GDR in February 1954, PM reckoned that a similar scheme in Hungary could raise as much as 15–20 million forints in the budget. In early 1954, however, PM's proposal was dismantled by the party's *Népgazdasági Bizottság* (People's Economic Committee). The party's economic leadership simply 'did not consider [the introduction of the lottery] appropriate' at the time.[158] In January 1955, the idea to introduce the lottery reemerged within PM. Based on the East German model again, the finance minister, Károly Olt's proposal forecasted now a weekly sale of 300,000 tickets and a minimum of ten million forints revenue in the budget. Mátyás Rákosi, however, rejected the plan. Rákosi considered the proposed lottery revenue insignificant compared to other budgetary sources. Evidencing his reluctance to move towards positive incentives and a differentiated conception of fiscal policy, Rákosi reasoned that 'tinkering with the tax-apparatus would bring in more [revenue] than this'.[159]

After July 1956, when the government eventually abolished the state-loan, the introduction of the lottery began to gain more prominence in state economic circles. In August

[157] MNL OL XIX-L-1-aa/251d. 'A lakosság megtakarításának fokozása, a takarékbetét-állomány növelése és ennek érdekében teendő intézkedések (1954. január 18.)'
[158] MNL OL M-KS 276. f. 113. cs. 11. ő. e. 'A lakosság takarékosságának fokozása és vásárlóerejének nagyobb mértékű lekötése' pp. 60-61.; MNL OL M-KS 276. f. 113. cs. 12. ő. e. 'A lakosság megtakarításainak fokozására irányuló intézkedések' pp. 7. and 49.
[159] MNL OL M-KS 276. f. 54. cs. 352. ő. e. 'A PM javaslata a lottó-játék bevezetésére (1955. január 31.)' p. 22.

1956, OTP, for instance, argued that abolishing state-loans 'provided a greater opportunity' for introducting a new gambling scheme. Modelled on the East German, Romanian and Italian practice, OTP argued that the Hungarian lottery would likely be a success.[160] For each year between 1958 and 1960, the proposal estimated the lottery to raise 198 million forints revenue in the budget.[161]

The Kádár government eventually introduced the lottery in February 1957. The first draw was organised on 7 March 1957. Only until 30 September 1957, OTP sold 104 million lottery and betting pool tickets, each costing 3,3 forints. Of the overall sale of 345 million forints, the lottery netted 138 million forints in the budget. OTP's *Sportfogadási és Lottó Igazgatóság* (Sports Betting and Lottery Directorate—SLIG) considered the remaining balance likewise beneficial to the government. SLIG deemed that all money spent on the lottery helped reduce citizens' purchasing power.[162] From the introduction of the lottery in early 1957, budgetary revenue generated by the lottery and the betting pool continuously increased. In 1961, gross revenue from the lottery and betting pool ticket sales increased more than two and a half folds to 352 million forints since 1957, more substantially than what PM envisaged as a possibility before 1956.[163]

SLIG considered winning the lottery as a means to fulfil basic needs (such as housing) and to obtain access to various luxuries that were mainly inaccessible to the general public in late 1950s Hungary. Lottery propaganda linked both of these objectives to incentivise citizens to increase lottery ticket purchases. During the first 103 weeks of lottery service between March 1957 and February 1959, the jackpot had been drawn five times during weekly prize draws. OTP drew a further 29 four-match tickets, 2,247 three-match tickets, and 60,914 two-

[160] MNL XXIX-L-3-g/25d. 'Előterjesztés a számsorsjáték bevezetésére (1956. augusztus 23.)'
[161] In August 1956, OTP reckoned that the betting pool would generate more revenue (299 million forints) than the lottery. See MNL XXIX-L-3-g/25d. 'Bevételek és kiadások terve 1958–1960 (1956. augusztus 22.)'
[162] MNL OL XXIX-L-3-g/28d/45t. 'Levéltervezet Kossa István miniszter elvtársnak (1957. október 23.)'
[163] MNL OL XXIX-L-3-g/28d. 'Tájékoztató – 1962. december 3. főosztályvezetői értekezlet anyaga'

match tickets each week on average during the period. Until February 1959, this translated to more than 6,5 million qualifying tickets for cash prizes, ranging from an average of 16 forints for a two-match ticket to more than one million forints for the jackpot. During the same period, people won 18 Wartburg cars, 182 pieces of bedroom and kitchen furniture, 208 tv, and 753 radio devices on 18 supplementary lottery draws. Various other import goods, which SLIG had labelled 'difficult to obtain'—such as motorbikes, scooters, refrigerators, washing machines, pianos, and radiograms—were further drawn as prizes.[164]

Like the sixth *békekölcsön* introduced in autumn 1955, the government propagated that lottery revenue would help fund the building of new homes. Regardless of this message, lottery propaganda predominantly appealed to individuals' desire to make material gains instead of promoting socialist public interest.[165] As a result, before János Kádár publicly legitimated the lottery at the Seventh Congress of the Communist Party in December 1959, the lottery came under occasional fire both from low- and mid-level party cadres. Critics argued that the lottery incentivised private ownership while high-value jackpots widened the inequality gap by 'producing new millionaires'. However, SLIG justified using high cash prizes from a 'business perspective'. It considered them necessary incentives to make people play the game.[166] SLIG argued that jackpot winners in the late 1950s—who were 'generally workers or employed personnel'—spent lottery proceeds on housing predominantly instead of capital goods to enter the private sector.[167] SLIG admitted that the availability of jackpot prizes and high-value goods correlated with the level of lottery revenue in the budget. SLIG, therefore, advised against changing the prize structure of the game. From 1958 onwards, the range of prizes in kind

[164] MNL OL XXIX-L-3-g/28d. 'A totó és lottó játékok...'

[165] For a display of OTP's propaganda posters used in the period, see MNL OL XXIX-L-3-g/66-69d.

[166] In 1959, the director of SLIG, Zoltán Konka, referenced Poland, where ticket sales decrease sharply from 20 to four million tickets after the maximisation of money prizes. See MNL XXIX-L-3-g/25d. 'Feljegyzés (1959. február 25.)' On OTP's profitability considerations, see MNL XXIX-L-3-g/56d/70t. 'OTP kiskunhalasi fiók levele (1957. szeptember 6.)'

[167] MNL XXIX-L-3-g/25d. 'Feljegyzés – 1959. február 25.'

further expanded to include apartments, weekend houses at Lake Balaton in Hungary, and foreign trips from Moscow or the GDR, to the spa town of Mariánské Lázně in Czechoslovakia, or a seaside holiday in Bulgaria or Romania.[168]

The propaganda of the lottery helped shape people's material expectations under socialism. While opening access to consumer goods after 1956 created the appearance of relative abundance—especially in contrast to the Rákosi years—high prices and shortages of consumer durables and housing continued to limit the majority of citizens' opportunities in fulfilling material desires. Unlike the pre-1956 period, when citizens' widespread discontent with the material realities of communism in Hungary targeted the political establishment, after March 1957 the lottery helped channel everyday resentment with options available for a better living standard. As perceptions of needs and wants were transforming over time, the lottery helped shape people's conceptions of luxury, which in turn impacted state policy. Instead of condemning luxuries and labelling them incompatible with 'the socialist human type' as the Stalinist state practiced it in 1949–1953, the Kádár regime legitimated state authority on increasing real wages, widening access to consumer goods, and allowing citizens to gain additional income through extra work even outside the state sector. After 1957, the lottery proved to be a cost-effective instrument to drain purchasing power. It also helped satisfy consumer aspirations and bring the impression of relative affluence within the reach of many rendering life under János Kádár's socialism a viable alternative to Stalinism.

5. Conclusion

The chapter has argued that besides Hungary's changing relationship with the Soviet Union and MDP's legitimacy crisis at home, citizens' widespread dissatisfaction with the standard of

[168] SLIG added foreign trips to the prize list beginning on 4 April 1958. For a list of prizes in 1958, see 'A jutalomsorsolás jegyzéke', *Népszabadság*, 5 April 1958, p. 12.

living and low opinion of the economic achievements of Stalinism highly conditioned the outbreak of the revolution of October 1956. Citizens considered national sovereignty not solely as an end in itself, but also as means to improve welfare after years of stagnant and even declining postwar living conditions.

The chapter has shown that economic concessions of the Kádár government and the regime's pledge to modernise Stalinist economic structures provided the foundations of state legitimacy. Crucially, however, to gain citizens' voluntary support for socialist state building, the revolution compelled the regime to reform its fiscal contract to convince people that life under János Kádár's dictatorship was an adequate alternative to Stalinism. While in early 1957, raising wages helped appease society, the government quickly learnt that crude fiscal measures alone could not suffice to gain citizens' approval of state policy in the long term. Political and economic factors compelled the government to establish new methods to shape citizens' material expectations of socialism. The lottery, introduced in early 1957, evidenced the government's new view of fiscal policy. Unlike during the Rákosi years, it no longer only mattered how much, how soon, and how effectively purchasing power could be drained from the economy, but also to what effect on the social fabric. Therefore, public opinion of the economy had to be considered in policy making. As the chapter has shown, however, public opinion was elusive, constantly shaped by the regime. With the lottery, the state influenced public opinion through the illusion of accessibility to high cash prizes and hard-to-obtain consumer goods. In this process, however, not only public opinion changed, but citizens' conceptions of Kádár's version of socialism also impacted state policy. Increasingly, from 1957 as state structures transformed, new opportunities were opened up to the public to gain and spend extra income, often through private initiatives. On 4 December 1959, at the Seventh

Congress of MSZMP, Kádár eventually legitimated the lottery, sealing the regime's new approach to citizens' finances in the long run.[169]

[169] MSZMP, *A Magyar Szocialista Munkáspárt VII. Kongresszusa* (Budapest: Kossuth Könyvkiadó, 1959), pp. 141–42.

Conclusion

1. Final Summary and Evaluation

The thesis has assessed the relationship between ordinary citizens and the Hungarian postwar state through the prism of money between the end of World War II to the beginning of János Kádár's consolidation of power in the late 1950s. The thesis has argued that citizens' valuation of money had a more significant role in shaping state-society relations in postwar Hungary than historical and economic scholarship have previously assumed. Moreover, the thesis has shown that money played a crucial role in legitimating and delegitimating regimes. Economic legitimation was conditioned on the interrelationship of the means (e.g. personal and 'illustrative agitation', indirect forms of marketing and advertising) and methods (e.g. positive or negative incentives, humiliation, psychological pressure) of state propaganda, the public's reception and interpretation of public policy based on wages, prices, and taxes, as well as the public's overall approval of public finance in terms of economic justice.

Paradoxically, despite the financial catastrophe in the immediate postwar years, the state seemed to have successfully put the public perception of value to the service of policy goals, such as recovering Hungarian economic output and introducing a stable currency. In the succeeding years, however, as the communists' sway over the economy grew, the regime became increasingly less successful at winning citizens' voluntary approval of Stalinist state building. In the following paragraphs, I summarise my answer to this paradox, related to my research question stated in the opening of the thesis: 'in what ways and to what effect did various forms of voluntary contractual monetary arrangements (loans, savings deposits, the lottery), quasi-voluntary measures (state-loans), and involuntary measures (taxes) reinforce or constrain the state's exercise of power in postwar Hungary?'

Chapter 1 has shown that postwar Hungarian governments considered the issue of new money as the best option to fund rebuilding Hungary's destroyed infrastructure, financing reparations deliveries, and rebuilding the country's productive base. The sudden devaluation

of money that followed effectively taxed resources away from households to the state and, increasingly in the final phase of the hyperinflation, mainly towards private businesses. As a result of depreciating wages, in autumn and winter 1945 strikes, protests, work stoppages, and absenteeism ensued. The government strove to maintain labour discipline through occasional wage raises. Wages, however, failed to catch up with prices. In winter 1945, the government introduced a 75 per cent tax on large denominated banknotes. This policy proved largely unsuccessful and only managed to halt inflation for a short period. This measure evidenced the government's orthodox outlook on finance which saw causation between the volume of money supply and the inflation rate. In early January 1946, the government introduced the taxpengő as an indexed unit of account to enhance tax collection and increase tax revenue. Shortly later, the government decreed the indexation of pengő deposits along the taxpengő price index. Unlike previous policies, the taxpengő evidenced a new conception of inflation which, as well as trying to reduce the money supply, aimed at managing it and putting it to the service of economic reconstruction. In April 1946, the government began to manipulate the taxpengő index when currency stabilisation was already in sight. While this policy accelerated the pace of reconstruction, it also pushed large segments of the population into economic deprivation, simultaneously, as the redistribution of resources from workers to private businesses accelerated. Meanwhile, workers did not rebel; instead, as hyperinflation reached astronomical heights, communist propaganda made citizens turn against 'speculators' and 'black marketeers', and increasingly legitimated state intervention in the economy.

Chapter 1 has shown that the Hungarian postwar governments' conception of economic stabilisation underwent several changes in the hyperinflation period. In doing so, this chapter has challenged existing historiography of the immediate postwar years in various ways. First, MKP's socio-economic policy was not homogenous throughout the period; instead, it changed in response to political considerations, economic realities, and even public demand. The

chapter has suggested that the economic interest (i.e. to fight inflation) of workers and the middle class mostly converged regardless of political views. Second, hyperinflation had the most detrimental effect on workers while, in relative terms, it primarily benefitted large private businesses. Third, besides the quality of any conservative or communist reform plan, the success of the eventual stabilisation depended on the government's capacity to maintain labour discipline in the context of deficient material incentives. Therefore, MKP's propaganda of inciting ordinary citizens against 'black marketeers' should not only be considered in terms of the Marxist-Leninist class agenda but also of the communists' messages' appeal to conservative views deeply ingrained in postwar Hungarian society.

Chapters 2 and 3 have assessed the communist regime's legitimacy crisis through the prisms of state-loans and direct taxation among industrial workers and small-scale private businesses, respectively. These chapters have shown that while the state exerted a relatively high degree of authority over citizens' finances, economic control was never complete. Even when citizens abided by state policy, they did so under compulsion without an acceptable alternative in sight. Both chapters have shown that the communist regime's propaganda was more systematic and differentiated than the 'totalitarian' literature previously suggested. The communists not only attempted to influence ordinary citizens' sense of personal security but also public perception of economic value and justice.

Chapter 2 has shown the ways in which communist agitators used psychological deterrence to break workers' solidarity against state policy. Rather than an immediate method to discipline workers on a large scale, the public 'uncovering' of workers as 'enemies' was a last resort against the most vocal opponents of state policy to intimidate the wider workforce. The analysis of workers' public opinion in the period confirmed that the communist regime's anti-imperialist and class enemy agenda could not make inroads among industrial workers; the

critique of the regime's economic policy and the generally low standard of living greatly outnumbered other issues in workers' concerns.

Chapter 3 has shown the various creative ways artisans used to keep their businesses afloat amid severe constraints imposed through direct taxation. While until 1953, the regime seemed successful at rolling back the private sector, from the introduction of the Nagy government programme in summer 1953, the number of private businesses suddenly increased. Since the communist tax policy continued to prevent artisans from keeping up a profitable enterprise through legal channels alone, private businesses evaded taxes and relied on informality to enforce their economic interests. As the private sector resuscitated, the widening gap between ideology and practice became increasingly evident to the wider public. Instead of reforming the tax system, the Kádár regime after 1956 decided to integrate the flawed private business model into socialist economic life.

Chapter 4 has shown that initially the Nagy regime's welfare propaganda received favourable reception after prolonged austerity during high Stalinism. The introduction of the self-build programme in early 1954 evidenced the government's recognition of the political need to increase households' fiscal autonomy. Ordinary citizens welcomed the government's effort to redistribute scarce resources from the state to impoverished citizens, even if it came in the form of credits. The programme, however, quickly backfired. On the one hand, the Stalinist economy failed to provide the required resources even to the relatively few accepted into the programme. On the other, the programme helped reveal the paradox between communist ideology and practice, namely that instead of impoverished workers, the programme generally favoured the wealthy. As a result, the Nagy regime failed to win the support of ordinary workers, while it also proved incapable to increase government legitimacy among successful credit recipients due to various limiting factors impeding the self-build programme.

Chapter 5 has assessed both the process of the Stalinist regime's crumbling authority before 1956 and the consolidation of János Kádár's power after 1957. Apart from Hungary's changing relationship with the Soviet Union and the party's diminishing authority over local party organs, fiscal strain also conditioned the outbreak of the revolution and, crucially, ordinary citizens' support of it. While before 1956, the regime was unable and even reluctant to reform the state's fiscal contract with citizens, after 1956, the revolution provided the Kádár regime with an opportunity to break with Stalinist fiscal practices. In 1957, immediate wage increases and the Kádár regime's new differentiated approach to fiscal policy and propaganda made the consolidation of socialist power achievable under Kádár's dictatorship. This policy, which was best signified through the lottery, helped create the illusion of socialist prosperity for the masses.

After the revolution of 1956, Hungarian citizens gained a new perspective on the future. It was not one they sought, nor one that they unconditionally or unanimously accepted, but one deemed tolerable in the given circumstances. The 1956 revolution compelled the regime to reconsider the role of money in socialist state building. Instead of a form of capital that communism envisaged to abolish, or merely a tool in the hands of the Stalinist state to exercise Marxist-Leninist 'class policy' in favour of the proletariat, the Kádár regime learnt to view money, wittingly or unwittingly, as a social institution which had to be sustained through a new *modus operandi* in public finance.

While external factors proved favourable towards the end of the 1950s for Hungarian leaders to reform the state's approach towards household finances, from the early 1960s the internal inconsistencies of centralised planning started to manifest. This revealed that even the new economic consensus established on reformed Stalinist structures had its own socio-economic limits. From the early 1960s, the regime's focus on raising economic productivity became increasingly prioritised to avoid either comprehensive market reforms (ideologically

taboo at the time) or a reversal to severe repression. The introduction of market mechanisms to rationalise centralised planning from January 1968 (ÚGM) attempted to upkeep the social contract based on regulated and conditional concessions to consumer demand established in the late 1950s. In the early 1970s, however, the regime's reform effort became increasingly dismantled by the Soviet Union under Brezhnev.

The changing relation between fiscal policy, citizens' conception of and adaptation to new material realities, and the state's reaction to changing social needs revealed growing tensions between ideology and practice as well as political legitimacy and money in 1970s Hungary. Due to new political priorities of the U.S.S.R, the XIth Congress of the MSZMP in 1975 proposed a harder line in state policy. For instance, the business improvement of the lottery became a casualty of this turn.[1] By 1975, however, weekly lottery sales within the Hungarian population stood at 1,1 tickets per capita only preceded by the GDR's 1,26 within the Eastern Bloc.[2] This implied that by the 1970s, various socio-economic and cultural trends (e.g. citizens' drive to obtain private property and increase consumption that hardliners had commonly argued the lottery had encouraged) were far more ingrained in the Hungarian population than any party decree could have forced to reverse.

Meanwhile, the oil shocks of the 1970s presented Hungary with a choice of either opening up to the West to gain hard currencies and maintain social peace or rethink the foundations of socialist development, carrying the risk of unforeseeable consequences to the prevailing political order. Hungarian leaders again accepted to pursue the former option of regulated economic liberalisation.[3] The joining of the World Bank and the IMF and the liberalisation of business laws in 1982, the opening up of hard currency shops to the public in

[1] MNL OL XXIX-L-3-g/30d. 'Javaslat a totó-lottójátékok korszerüsítésére (1975)'
[2] MNL OL XXIX-L-3-g/31d. 'Egy lakosra jutó heti szelvény darabszám 1975-ben' This ratio was 0,03 in Romania, 0,22 in Yugoslavia, 0,42 in Poland, 0,46 in Czechoslovakia, and 0,53 in Bulgaria.
[3] György Földes, *Az Eladósodás Politikatörténete 1957-1986* (Budapest: Maecenas Könyvkiadó, 1995); Attila Mong, *Kádár Hitele* (Budapest: Libri, 2012).

1983, the establishment of the two-tier banking system in 1987, and the introduction of the personal income tax law (*szja*) and the *világútlevél* (world passport) in 1988 were parts of the same economic programme of manoeuvring around monetary constraints and shaping the public's view of money to legitimate socialism at home in order to maintain the political consensus built on the primacy of the party state.[4] The socialist experiment confirmed that despite the state's command over the banking sector, the currency signified more autonomous social dynamics than previously foreseen by communist experts. These increasingly compelled the regime to undertake economic liberalisation by the time of the *rendszerváltás* (change of system) in 1989.

2. Implications for Future Research

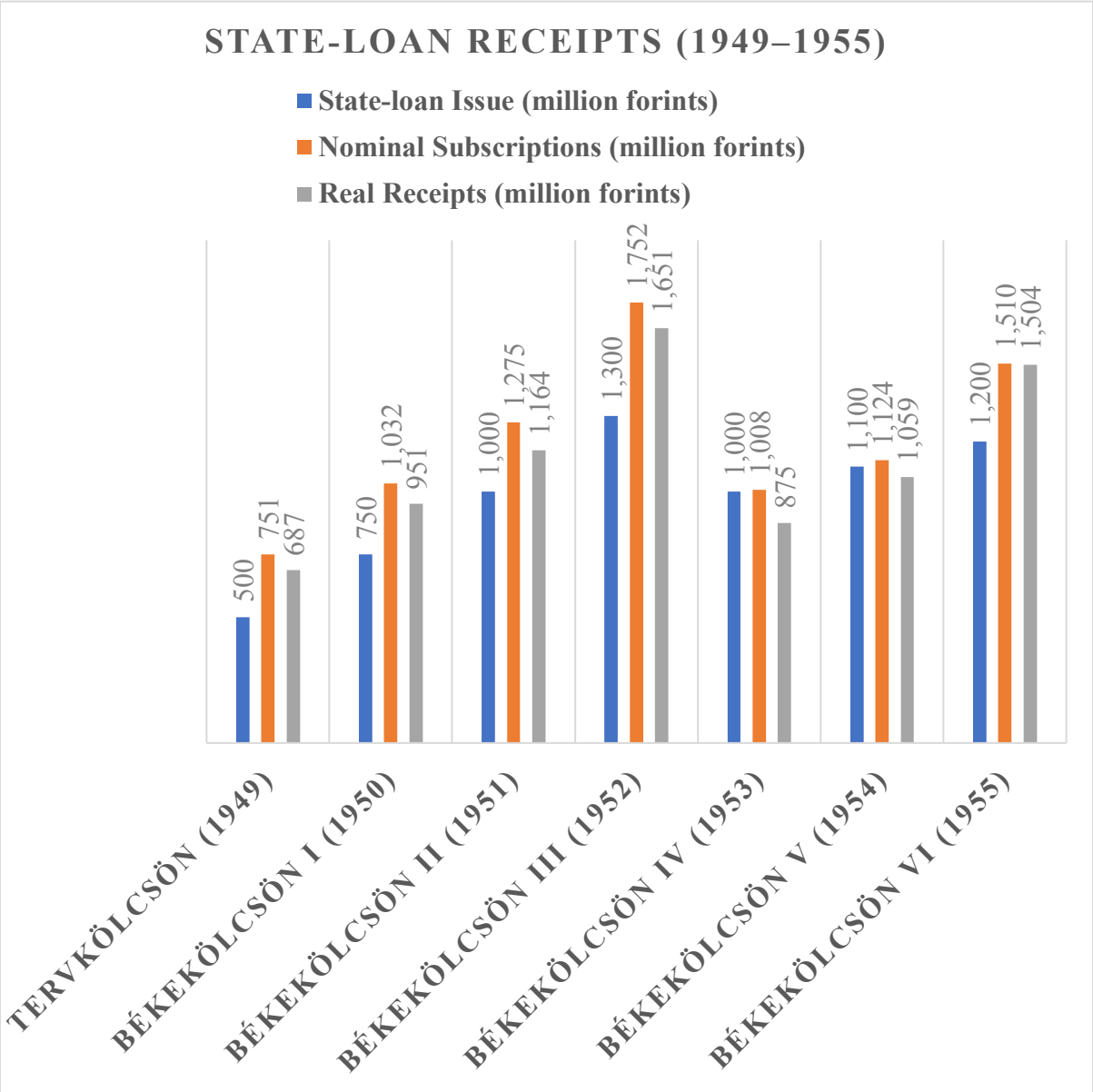
The thesis has opened various new avenues for research. A future study on the coerced integration of peasant society into the socialist money economy could provide further insights into the development of collectivisation and its impact on socialist public policy during early-socialism and *vis-à-vis* the reform socialist period. The thesis' assessment of fiscal policy under the New Course has revealed several power imbalances between centre and local administration (chapter 2) and local councils and citizens (chapter 4). A further study on the erosion of the central government's authority over local administration could enrich our understanding of the monetary constraints of local authorities before the 1956 revolution and its impact on the public. The thesis has suggested that Hungarian workers experienced their economic repression unparalleled among the people's democracies in the early-socialist period. A comparative study could provide insights into the socio-economic and cultural factors influencing ordinary citizens' sense of well-being in early-socialist people's democracies.

[4] Gagyiova, 'Legitimizing Socialism? Hard-Currency Stores and Western Goods in Hungary, 1956–1989'.

Finally, the thesis has made the first step in the historical reevaluation of money in Hungarian socialism. A further study on money as an external limiting factor in semi-peripheral economic development could provide a new perspective on the dynamics of Hungarian indebtedness and the eventual failure of economic cooperation among Eastern Bloc countries (COMECON), especially *vis-à-vis* the Euro project.

Appendices

Appendix A[1]

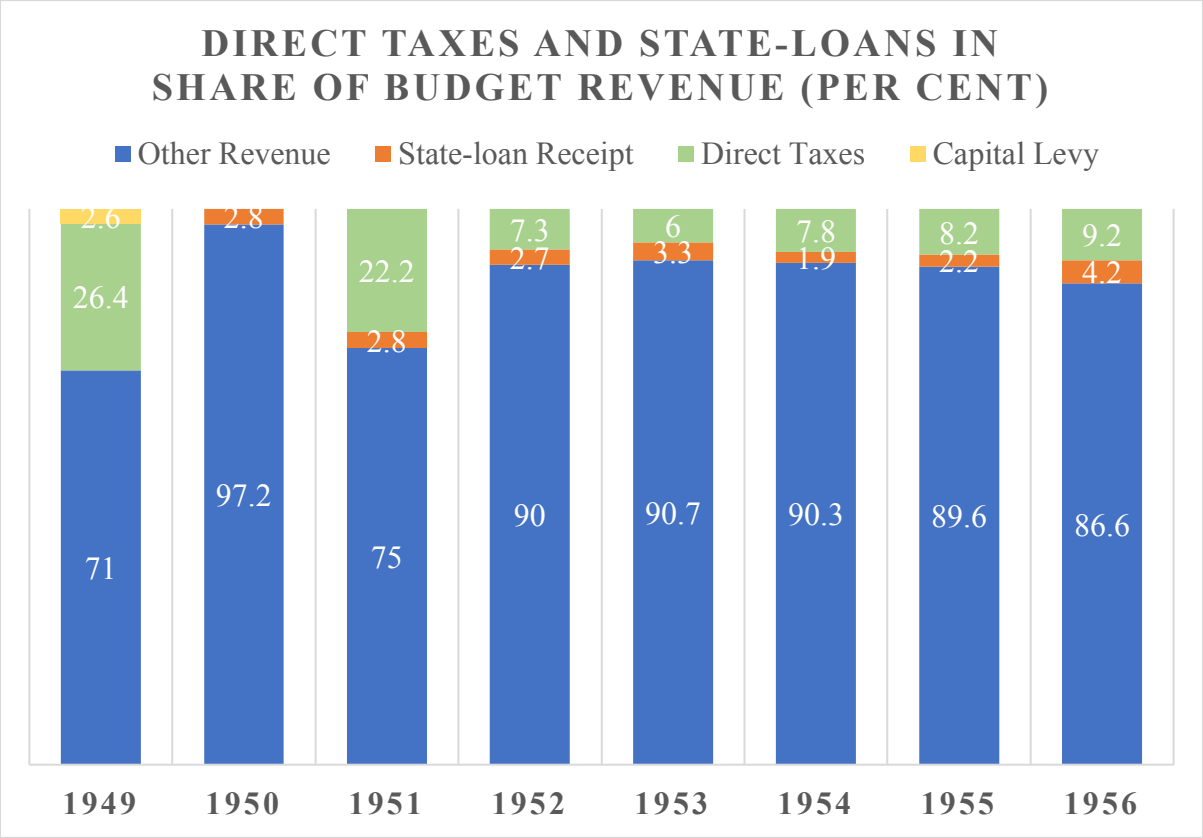


[1] MNL OL XIX-A-39-a/II/1959/18d. 'KSH Statisztikai Évkönyv: Pénzügyi Melléklet 1957' p. 5.

Appendix B[1]

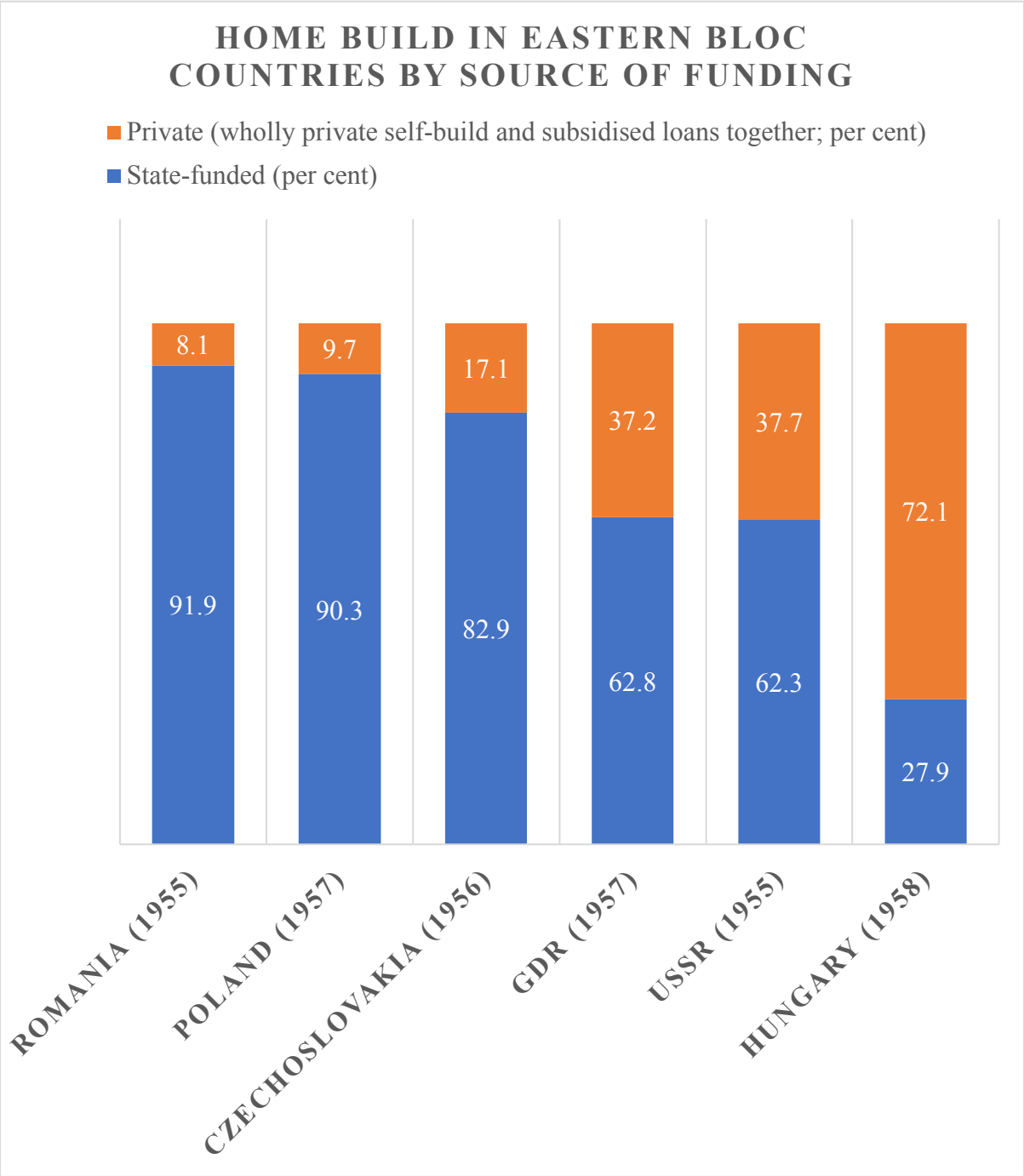
Budget Revenue (1949–1956) (in million forints)

	1949	1950	1951	1952	1953	1954	1955	1956
Total Revenue	13,065	24,000	33,875	42,502	49,890	45,287	48,312	35,656
Direct Taxes	3,460	unk.	7,524	3,089	3,014	3,545	3,969	3,279
Social Insurance	n/a	unk.	unk.	2,365	2,706	3,273	4,299	4,601
State-loans	n/a	0,687	0,951	1,164	1,651	0,875	1,059	1,504
Capital Levy	0,337	n/a	n/a	n/a	n/a	n/a	n/a	n/a



[1] PM, *Jelentés Az 1949. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1950); PM, *Jelentés Az 1951. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1952); PM, *Jelentés Az 1952. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1953); PM, *Jelentés Az 1953. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1954); PM, *Jelentés Az 1954. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1955); PM, *Jelentés Az 1955. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1956); PM, *Jelentés Az 1956. Évi Állami Költségvetés Végrehajtásáról*. Budget revenue data for 1950 is based on *Országgyűlési Napló*, (1950. V. 8. – 1953. III. 18.) II. kötet, 1950. november 30. p. 126. The share of direct tax receipts in the 1950 budget is unknown.

Appendix C[1]



[1] Máté Major, 'A Családiház Problémáról - Nem Utoljára', *Valóság*, IV.5 (1961), 61–69 (p. 62).

Appendix D[1]

Self-build Loan Applications (1952–1957)

Year	Registered Request		Authorised Loans		Disbursement (in 1,000 Ft)	Disbursed Loans in Share of Registered Request (in per cent)	Disbursed Loans in Share of Authorised Loans (per cent)
	pcs	1,000 Ft	pcs	1,000 Ft			
1952	1,440	24,811	1,378	21,407	14,971	60.34	69.94
1953	3,832	70,242	3,812	63,868	44,250	63.00	69.28
1954	13,046	314,152	7,725	190,504	162,574	51.75	85.34
1955	16,429	459,398	13,819	351,203	276,699	60.23	78.79
1956	17,284	505,681	13,091	343,090	261,666	51.75	76.27
1957	20,050	667,716	16,510	509,704	466,931	69.93	91.61

[1] MNL OL XIX-A-39-a/II/1959/18d. 'KSH Statisztikai Évkönyv: Pénzügyi Melléklet 1957' p. 5. NB. The table only shows applications registered by OTP. Local councils in the period recieved considerably more credit applications which never got through to OTP as suggested in chapter 4.

Bibliography

1. Primary Sources

1.1. Archival Sources

1.1.1. Budapest City Archives (BFL):

BFL XXIII.102.a.
Budapest Fővárosi Tanács VB / VB-ülések jegyzőkönyvei (Budapest City Council VB / Minutes of VB sessions)

BFL XXIII.102.b.
Budapest Fővárosi Tanács VB / VB-iratok gyüjteménye (Budapest City Council VB / Collection of VB files)

BFL XXIII.204.f.
Budapest IV. Kerületi Tanács / Építési és Közlekedési Osztály (Budapest IV District Council / Construction and Transportation Department)

BFL XXIII.211.b.
Budapest XI. Kerületi Tanács / A szakigazgatási szervek iratai (Budapest IX District Council / Professional Administrative Bodies)

BFL XXXV.1.c.
MSZMP Budapesti Bizottság / Agitprop (MSZMP Budapesti Bizottság / Agitprop)

BFL XXXV.1.e.
MSZMP Budapesti Bizottság / Gazdaságpolitikai Osztály (MSZMP Budapesti Bizottság / Economic Policy Department)

BFL XXXV.102.b.
MDP VII. Kerületi Bizottság / Apparátusi iratok (MDP VII District Committee / Apparatus Documents)

BFL XXXV.136.

Gheorghiu-Dej Hajógyár MDP Bizottság (Gheorghiu-Dej Shipyard MDP Committee)

BFL XXXV.145.
MÁVAG MDP Bizottság (MÁVAG MDP Committee)

BFL XXXV.176.c.
MDP IV. Kerületi Bizottság / Alapszervezetek (MDP IV District Committee / Local Organisations)

BFL XXXV.95.a.
MDP Budapesti Bizottság / Vezető testületek (MDP Budapest Committee / Executive Bodies)

BFL XXXV.95.b.
MDP Budapesti Bizottság / Párt- és Tömegszervezetek Osztálya (MDP Budapest Committee / Party and Mass-organisations' Department)

BFL XXXV.95.c.
MDP Budapesti Bizottság / Agitprop Osztály (MDP Budapest Committee / Agitprop Department)

BFL XXXV.95.d.
MDP Budapesti Bizottság / Ipari és Közlekedési Osztály (MDP Budapest Committee / Industry and Transportation Department)

1.1.2. Hungarian National Archives (MNL), National Archives (OL):

MNL OL M-KS 274. f. 12.
MKP / Állampolitikai Osztály (MKP / Department of State Policy)

MNL OL M-KS 274. f. 20.
MKP / Szakszervezeti osztály, szakszervezeti bizottság (MKP / Trade Unions' Department and Committee)

MNL OL M-KS 276. f. 52.

MDP / KB

MNL OL M-KS 276. f. 53.
MDP / PB

MNL OL M-KS 276. f. 54.
MDP Központi Szervei / Titkárság (MDP Central Organs / Secretariat)

MNL OL M-KS 276. f. 66.
MDP Központi Szervei / Gerő Ernő titkári iratai (MDP Central Organs / Secretary Ernő Gerő's documents)

MNL OL M-KS 276. f. 87.
MDP Központi Szervei / Gazdasági és Pénzügyi Bizottság (MDP Central Organs / Economic and Finance Committee)

MNL OL M-KS 276. f. 112.
MDP Központi Szervei / Államgazdasági Bizottság (MDP Central Organs / State Economic Department)

MNL OL M-KS 276. f. 113.
MDP Központi Szervei / Népgazdasági Bizottság (MDP Central Organs / People's Economic Committee)

MNL OL M-KS 283. f. 32.
SZdP / Gazdaságpolitikai osztály (SZdP / Economic Policy Department)

MNL OL M-KS 288. f. 4.
MSZMP / KB

MNL OL M-KS 288. f. 5.
MSZMP / PB

MNL OL M-KS 288. f. 23.

MSZMP / Államgazdasági Osztály (MSZMP / State Economic Department)

MNL OL XIX-A-10
GF

MNL OL XIX-A-2-ii
Minisztertanács Titkársága / Gerő Ernő Minisztertanács elnökhelyettes (Council of Ministers' Secretariat / Ernő Gerő's Deputy Prime Minister)

MNL OL XIX-A-2-v
Minisztertanács Titkársága / Nagy Imre Minisztertanács elnöke (Council of Ministers' Secretariat / Imre Nagy Prime Minister)

MNL OL XIX-A-39-a
Gazdasági Bizottság / Általános iratok (Economic Committee / General documents)

MNL OL XIX-A-83-a
Minisztertanács / Jegyzőkönyvek és mellékleteik (Council of Ministers / Minutes and attachments)

MNL OL XIX-A-83-b
Minisztertanács / Előterjesztések és határozatok (Council of Ministers / Proposals and decrees)

MNL OL XIX-B-1-q
Belügyminisztérium / Helyi tanácsok főosztálya: TÜK Iratok (Ministry of Interior / Local Councils' Department: Classified documents)

MNL OL XIX-D-4-i
VKgM / Lakásgazdálkodási Főigazgatóság (VKgM / Housing Management Directorate)

MNL OL XIX-L-1-aa
PM / Titkárság (PM / Secretariat)

MNL OL XIX-L-1-h

PM / Közgazdasági ügyosztály (PM / Economic Department)

MNL OL XXIX-L-3-e
OTP / Államkölcsönök TÜK (OTP / State-loans Classified documents)

MNL OL XXIX-L-3-g
OTP / SLIG

MNL OL XXVII-F-3
KIOSZ

MNL OL XXVIII-M-3
Országos Béketanács (National Peace Council)

MNL OL XXVIII-M-16
DISZ

MNL OL Z 403 C
Weiss Manfréd Acél- és Fémművek Rt. / Igazgatósági iratok a II. világháború utáni időszakból (Weiss Manfréd Steel and Metal Works Rt / Board of Directors' documents from the post-World War II period)

1.1.3. Hungarian National Archives (MNL), Pest County Archives (PML):

MNL PML XXIII.3.b.
Pest Megyei Tanács VB Titkárságának iratai / Panaszügyek iratai (Documents of Pest County Council VB Secretariat / Complaints)

MNL PML XXXV.1.b.
MDP Pest Megyei Bizottsága iratai (Documents of MDP Pest County Committee)

1.1.4. Open Society Archives (OSA):

OSA 300-40-4.

Records of Radio Free Europe/Radio Liberty Institute / Hungarian Unit / Information Items

1.2. Periodicals

Délmagyarország
Dunántúli Népszava
Esti Budapest
Esti Hirlap
Fényszóró
Fogaskerék
Ifjú Kommunista
Ifjúság
Kecskeméti Lapok
Kis Ujság
Kossuth Népe
Magyar Közlöny
Magyar Nemzet
Magyarország
Munka
Nemzetgyűlési Napló
Népszabadság
Népszava
Nők Lapja
Országgyűlési Napló
Szabad Föld
Szabad Ifjuság
Szabad Nép
Szabad Újpest
Szabad Vasmegye
Szegedi Népszava

1.3. Books, Journal Articles, and Published Collections of Primary Sources

A Nemzeti Parasztpárt programja, ‘A Nemzeti Parasztpárt Programja (1945. Szeptember 1.)’, in *Magyarországi Pártprogramok 1944-1988*, ed. by Sándor Balogh and Lajos Izsák (Budapest: ELTE - Eötvös Kiadó, 2004), pp. 54–64.

Barsy, Gyula, ‘A Pengővaluta Elértéktelenedése’, *Statisztikai Tájékoztató*, II, 1946

———, ‘A Pengővaluta Vége. Az Adópengőzavarok Háttere És Okai.’, *Statisztikai Tájékoztató*, V, 1946

Antos, István, ‘A Pénzügyi Kibontakozás Útja’, *Társadalmi Szemle*, I.3 (1946), 176–83

———, ‘Az Új Költségvetés’, *Társadalmi Szemle*, III.2 (1948), 103–8

———, *Infláció Vagy Jó Pénz?* (Budapest: Szikra, 1946)

Atlasz, Z. V., ‘A Bankok Államosítása És a Hitelrendszer Szerepe a Szovjet Nemzetgazdaságban’, *Magyar-Szovjet Közgazdasági Szemle*, II.6 (1948), 23–29

———, *Pénzforgalom És Hitel a Szovjetunióban* (Budapest: Pénzügyminisztériumi Kiadó, 1951)

Berei, Andor, ‘A Stabilizáció És a Hároméves Terv Perspektívái’, *Társadalmi Szemle*, II.7–8 (1947), 482–92

Betlen, Oszkár, ‘A Béke Ügye’, *Társadalmi Szemle*, V.5 (1950), 341–47

Buza, Márton, *Áru-Érték-Pénz* (Budapest: Szakszervezeti Tanács Iskoláját Végzettek Szövetsége, 1948)

Csikós-Nagy, Béla, *A Helyi Ipar Feladatai Az Új Kormányprogram Keretében* (Budapest: Jogi Kiadó, 1953)

———, *Helyi Iparunk a Fejlődés Útján* (Budapest: Könnyűipari Kiadó, 1954)

DISZ, *Az Úttörőcsapatok Feladata a III. Békekölcsön Jegyzésben* (Budapest: Szikra, 1952)

Farkas, Ferenc, ‘Bérszínvonal, Árszínvonal, Pénzgazdálkodás’, *Közgazdaság*, 28 September 1947, p. 1.

Feitl, István, Márta Gelléríné Lázár, and Levente Sipos, eds., *Rákosi Mátyás - Visszaemlékezések 1940-1956 2. Kötet* (Budapest: Napvilág Kiadó, 1997)

Feldman, G.A., ‘A Nemzeti Jövedelem Növekedési Ütemének Elméletéhez (A Szovjetunió Népgazdaságának Szemszögéből)’, *Közgazdasági Szemle*, XIV.11 (1967), 1342–82

———, ‘K Teorii Tempov Narodnogo Dokhoda’, *Planovoe Khozyastvo*, 11-12., 1928, 146–70

Friss, István, ‘A Szocialista Iparosítás Elvi Kérdései’, *Magyar-Szovjet Közgazdasági Szemle*, V.1 (1951), 21–40

Gáspár, Ferenc, and Klára Szabó, eds., *Források Budapest Múltjából V/A, 1950-1954.* (Budapest: Budapest Főváros Levéltára, 1985)

Gerő, Ernő, ‘A Hároméves Terv Pénzügyi Problémái’, *Gazdaság*, II.11 (1947), 465–69

———, ‘Magyarország Gazdasági Újjáépítésének Feltételei’, *Társadalmi Szemle*, I.4 (1946), 247–55

Gordon, Ferenc, ‘1945-47 Történetéhez (I.)’, *Látóhatár*, V.6 (1954), 360–72

———, ‘1945-47 Történetéhez (II.)’, *Látóhatár*, VI.1 (1955), 29–44

Gordon, Francis (Ferenc), *Reporting on the Real Events in Hungary from the Beginning of 1945 to the End of 1947* (Buenos Aires, 1948)

Háy, László, ‘A Népi Demokrácia Hitelszervezetének Feladatai’, *Társadalmi Szemle*, III.6–7 (1948), 463–68

Kaldor, Nicholas, ‘A Study in Inflation I—Hungary’s Classical Example’, *The Manchester Guardian*, 21 November 1946, p. 4.

Kárász, Artúr, *80 Év a Föld Körül* (Budapest: Bethlen Gábor Könyvkiadó, 1990)

———, *L’École Des Totalitaires* (Paris: s.n., 1948)

Kornai, János, ‘Kik a Gazdagok?’, *Szabad Nép* (Budapest, 18 October 1947), p. 5.

Kovács, Imre, *Magyarország Megszállása* (Budapest: Katalizátor Iroda, 1990)

Kozák, Gyula, and Molnár Adrienne, eds., *Szuronyok hegyén nem lehet dolgozni!* (Budapest: Századvég és 1956-os Intézet, 1993)

Közgazdasági Technikum Pénzügyi Tagozat, *A Lakosságtól Származó Adóbevételek* (Budapest: Pénzügyi Kiadó, 1953)

KSH, *Áralakulás Magyarországon 1938-Ban És 1949-1955-Ben* (Budapest: Központi Statisztikai Hivatal, 1957)

———, *Magyar Statisztikai Zsebkönyv 1956.* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1956)

———, *Magyar Statisztikai Zsebkönyv 1958* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1958)

———, *Statisztikai Évkönyv 1957: Pénzügyi Melléklet* (Budapest: KSH, 1959)

Mark Jr., Louis, ‘Postwar Inflation in Hungary’ (Unpublished MA Thesis, University of California, 1947)

———, ‘The View from Hungary’, in *Witnesses to the Origins of the Cold War*, ed. by Thomas Taylor Hammond (Washington: University of Washington Press, 1986), pp. 186–209.

MDP, *A Magyar Dolgozók Pártja III. Kongresszusának Jegyzőkönyve* (Budapest: Szikra, 1954)

———, *A Szemléltető Agitáció a Politikai Felvilágosító Munka Fontos Eszköze* (Budapest: MDP KV Agitprop, 1951)

Mikoyan, Anastas, 'Mikojan Távirata Budapestről... (1956. Július 14.)', in *Hiányzó Lapok 1956 Történetéből*, ed. by Szereda Vjacseszlav and Alekszandr Sztikalin (Budapest: Móra Kiadó, 1993), pp. 40–46.

MKP, *3 Éves Terv: A Magyar Kommunista Párt Javaslata* (Budapest: Szikra, 1947)

MNB, *A Szocialista Államkölcsön* (Budapest: PM Könyv- és Lapkiadó Vállalat)

Mód, Aladár, 'A Költségvetési Vita Mérlege', *Társadalmi Szemle*, II.4 (1947), 255–66

———, 'Az Újjáépítés Gazdasági Politikája', *Társadalmi Szemle*, I.1 (1946), 13–21

Mód, Aladárné, 'Szocialista Építés És Az Akkumuláció Új Forrásai', *Társadalmi Szemle*, IV.1 (1949), 54–66

MGkI, *Gazdasági Helyzetjelentés 54.* (Budapest: MGKI, 1947)

'Miért van Szükség a 4 Százalékos Gyermektelenségi Adóra?', *Budapest Népnevelő*, VI.9 (1956), 33–34

MSZMP, *A Magyar Szocialista Munkáspárt VII. Kongresszusa* (Budapest: Kossuth Könyvkiadó, 1959)

Népszava, *A Pénzügyek És a Hitel Szerepe a Kapitalizmusban És a Szocializmusban* (Budapest: Népszava, 1949)

Nagy, Ferenc, *Küzdelem a Vasfüggöny Mögött I.* (Budapest: Európa Könyvkiadó, 1990)

———, *The Struggle Behind the Iron Curtain* (New York: Macmillan Company, 1948)

National Bank of Hungary, *Hungary in Statistical Tables* (Budapest: National Bank of Hungary, 1947)

Orbán, László, 'A Hároméves Terv', *Társadalmi Szemle*, II.1 (1947), 1–7

PM, *Jelentés Az 1949. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1950)

———, *Jelentés Az 1951. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1952)

———, *Jelentés Az 1952. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1953)

———, *Jelentés Az 1953. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1954)

———, *Jelentés Az 1954. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1955)

———, *Jelentés Az 1955. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1956)

———, *Jelentés Az 1956. Évi Állami Költségvetés Végrehajtásáról* (Budapest: PM, 1957)

Rainer M., János, and Károly Urbán, '"Konzultációk." Dokumentumok a Magyar És a Szovjet Pártvezetők Két Moszkvai Találkozójáról 1954-1955-Ben', *Múltunk*, 37.4 (1992)

Rákosi, Mátyás, 'A Sztahanovista Mozgalom Az Egész, Szocializmust Építő Dolgozó Nép Mozgalma', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 300–323.

———, 'Békénk Védelméről, Népi Demokráciánk És Pártunk További Erősödéséről', *Társadalmi Szemle*, V.11 (1950), 837–56

———, 'Legyen a DISz Pártunk Biztos Támasza!', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 338–51.

———, 'Magyarország a Békefront Erős Bástyája', in *A Békéért És a Szocializmus Építéséért* (Budapest: Szikra Könyvkiadó, 1951), pp. 207–14.

———, 'Tito Ügynökségének Szétzúzása Magyarországon', *Állam És Közigazgatás*, I.5–6 (1949), 273–78

Rákosi, Sándor, and Erzsébet Strassenreiter, eds., *A Munkásosztály Az Újjáépítésért, 1945-1946. Dokumentumok* (Budapest: Kossuth Könyvkiadó, 1960)

Rákosi, Sándor, and Bálint Szabó, eds., *A Magyar Kommunista Párt És a Szociáldemokrata Párt Határozatai 1944-1948* (Budapest: Kossuth Könyvkiadó, 1967)

Rudas, László, *Áru És Pénz* (Budapest: Magyar Kommunita Párt, 1946)

———, *Áru És Pénz* (Budapest: Magyar Kommunita Párt, 1951)

Sulyok, Béla, 'A Magyar Népgazdaság Első Tervkölcsöne: Az Ötéves Tervkölcsön', *Társadalmi Szemle*, V.10 (1949), 688–96

Szamel, Lajos, 'Az Új Tanácstörvény', *Társadalmi Szemle*, IX.8–9. (1954), 13–28

Szántó, Rezső, 'A Takarékpénztár Szerepe a Szocialista Gazdaságban', *Magyar-Szovjet Közgazdasági Szemle*, IV.1-6. (1950), 317–40

SZdP, *A Szociáldemokrata Párt Munkaterve Magyarország Gazdasági, Politikai És Szellemi Újjáépítésére* (Budapest: Világosság, 1945)

Szigeti, Gyula, 'A Takarékkorona Szerepe a Pénz- És Hitelforgalomban', *Magyar Statisztikai Szemle*, II.5–6 (1924), 210–16

Szinkovich, Márta, ed., *Dokumentumok a Magyar Belkereskedelem Történetéből, 1945–1949* (Budapest: Kossuth Könyvkiadó, 1981)

Szőnyi, Gyula, 'Egyenesadók És Forgalmi Adók Hozadéka', *Magyar Statisztikai Szemle*, 25.7–8 (1947), 253–64

Szűcs, László, *Dálnoki Miklós Béla Kormányának (Ideiglenes Nemzeti Kormány) Minisztertanácsi Jegyzőkönyvei 1944. December 23.-1945. November 15. A Kötet* (Budapest: Magyar Országos Levéltár, 1997)

———, *Dálnoki Miklós Béla Kormányának (Ideiglenes Nemzeti Kormány) Minisztertanácsi Jegyzőkönyvei 1944. December 23.-1945. November 15. B Kötet* (Budapest: Magyar Országos Levéltár, 1997)

———, *Nagy Ferenc Első Kormányának Minisztertanácsi Jegyzőkönyvei A. Kötet 1946. Február 5. - 1946. Július 19.* (Budapest: Magyar Országos Levéltár, 2003)

T. Varga, György, 'Jegyzőkönyv a Szovjet És a Magyar Párt- És Állami Vezetők Tárgyalásairól (1953. Június 13-16.)', *Múltunk*, 37.2–3 (1992), 234–69

Takács, József, 'Mezőgazdaságunk Helyzete 1945-Ben', *Szocializmus*, XXX.1-2. (1946), 30–36

Varga, Jenő, 'Infláció – Stabilizáció', *Tarsadalmi Szemle*, 1.7 (1946), 481–88

Vas, Zoltán, *Akkori Önmagunkról* (Budapest: Magvető Könyvkiadó, 1982)

2. Secondary Sources

Andorka, Rudolf, *A Társadalmi Mobilitás Változásai Magyarországon* (Budapest: Gondolat, 1982)

———, 'The Importance and the Role of the Second Economy for the Hungarian Economy and Society', *Aula*, 12.2 (1990), 95–113

Apor, Balázs, *The Invisible Shining: The Cult of Mátyás Rákosi in Stalinist Hungary, 1945-1956* (Budapest: Central European University Press, 2018)

Apor, Péter, *Forradalom a Hátsó Udvarban* (Budapest: Jaffa Kiadó, 2021)

———, 'The Lost Deportations and the Lost People of Kunmadaras: A Pogrom in Hungary, 1946', *Hungarian Historical Review*, 2.3 (2013), 566–604

Apor, Péter, Tamás Kende, Michala Lônčíková, and Valentin Săndulescu, 'Post-World War II Anti-Semitic Pogroms in East and East Central Europe: Collective Violence and Popular Culture', *European Review of History: Revue Européenne d'histoire*, 26.6 (2019), 913–27

Araral Jr., Eduardo, Scott Fritzen, Michael Howlett, M Ramesh, and Xun Wu, eds., *Routledge Handbook of Public Policy* (London: Routledge, 2013)

Arendt, Hannah, *The Origins of Totalitarianism* (New York: Harcourt, Brace & Co., 1951)

Augusztinovics, Mária, *Pénzügyek a Szocializmusban* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1963)

Ausch, Sándor, ‘A Háború Finanszírozása És Az 1938–1944. Évi Infláció Magyarországon’, *Közgazdasági Szemle*, II.10 (1955), 1194–1214

———, *Az 1945-1946. Évi Infláció És Stabilizáció* (Budapest: Kossuth Könyvkiadó, 1958)

Balázs, Béla, ‘A Nemzeti Bizottságok Szerepe Népi Demokráciánk Létrejöttében’, in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó (Budapest: Akadémiai Kiadó, 1955), pp. 155–236.

———, *Népmozgalom És Nemzeti Bizottságok 1945-1946* (Budapest: Kossuth Könyvkiadó, 1961)

Balogh, Margit, ‘A Mindszenty-Per’, *Korunk*, III.7 (2012), 3–17

Balogh, Sándor, *Választások Magyarországon 1945* (Budapest: Kossuth Könyvkiadó, 1984)

Balogh, Sándor, and Ferenc Pölöskei, *Agrárpolitika És Agrárátalakulás Magyarországon, 1944-1962* (Budapest: Akadémiai Kiadó, 1979)

Bandelj, Nina, Frederick F Wherry, and Viviana Zelizer, *Money Talks: Explaining How Money Really Works* (Princeton University Press, 2017)

Barát, Mária, ed., *A Magyar Gazdaság Vargabetűje* (Budapest: Aula Kiadó, 1994)

Baráth, Magdolna, ‘A Hároméves Tervtől Az Ötéves Tervig. Irányváltás Az MKP Gazdaságpolitikájában’, in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 301–17.

Bartha, Eszter, *Alienating Labour: Workers on the Road from Socialism to Capitalism in East Germany and Hungary* (Oxford: Berghahn, 2013)

Beggs, Michael, ‘The State as a Creature of Money’, *New Political Economy*, 22.5 (2016), 463–77

Béládi Olívia, ‘A kisipar és kiskereskedelem államosítása Pesterzsébeten’, *Múltunk*, 58.4 (2013), 63–101

Belényi, Gyula, *Az Állam Szorításában: Az Ipari Munkásság Társadalmi Átalakulása Magyarországon 1945–1965* (Szeged: Belvedere Meridionale, 2009)

Berend T., Iván, *A Szocialista Gazdaság Fejlődése Magyarországon, 1945-1968* (Budapest: Kossuth Könyvkiadó-Közgazdasági és Jogi Könyvkiadó, 1974)

———, *An Economic History of Twentieth-Century Europe: Economic Regimes from Laissez-Faire to Globalization* (Cambridge: Cambridge University Press, 2006)

———, ‘Az 1946. Évi Stabilizáció’, *Közgazdasági Szemle*, XIII.7–8 (1966), 890–98

———, *Gazdasági Útkeresés 1956-1965* (Budapest: Magvető Könyvkiadó, 1983)

———, *Újjáépítés És a Nagytőke Elleni Harc Magyarországon, 1945–1949* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1962)

Béres, Csaba, *Lakótelep, Kertes Házak Helyén* (Debrecen: MTA, 1979)

Beszteri, Béláné, 'A Tanácsrendszer Létrehozása, a Tanácsok Tevékenységének Alakulása a Szocializmus Alapjai Lerakásának Időszakában. Vizsgálat Veszprém Megyei Modell Alapján (1945-1962)' (Thesis of Academic Candidacy, József Attila Tudományegyetem, 1979)

Bieber, Ilona, *Árutermelés. Áru És Pénz* (Budapest: Kossuth Kiadó, 1958)

Bognár, Zalán, *Málenkij Robot - A Magyarországról Ítélet Nélkül Szovjetunióbeli Kényszermunkára Elhurcolt Civilek Története* (Budapest: Kairosz Könyvkiadó, 2018)

Bomberger, W. A., and G. E. Makinen, 'Indexation, Inflationary Finance, and Hyperinflation: The 1945-1946 Hungarian Experience', *Journal of Political Economy*, 88.3 (1980), 550–60

———, 'The Hungarian Hyperinflation and Stabilization of 1945-1946', *Journal of Political Economy*, 91.5 (1983), 801–24

Borhi, László, *Hungary in the Cold War, 1945-1956* (Budapest: Central European University Press, 2004)

Botos, János, *A Korona, Pengő És Forint Inflációja (1900-2006)* (Budapest: Szaktudás Kiadó Ház Zrt., 2006)

———, 'A Pengő Megsemmisülése, a Forint Születése, 1938-1946', *Múltunk*, 61.1 (2016), 160–206

Botos, Katalin, '1956: Paradigma-Váltás a Gazdaságpolitikában?', *Iustum Aequum Salutare*, III.1 (2007), 5–20

Bren, Paulina, 'Tuzex and the Hustler: Living It Up in Czechoslovakia', in *Communism Unwrapped: Consumption in Cold War Eastern Europe*, ed. by Paulina Bren and Mary Neuburger (New York: Oxford University Press, 2012), pp. 27–48.

Bren, Paulina, and Mary Neuburger, eds., *Communism Unwrapped: Consumption in Cold War Eastern Europe* (New York: Oxford University Press, 2012)

———, 'Introduction', in *Communism Unwrapped: Consumption in Cold War Eastern Europe*, ed. by Paulina Bren and Mary Neuburger (New York: Oxford University Press, 2012), pp. 3–25.

Brown, Karl, 'Regulating Bodies: Everyday Crime and Popular Resistance in Communist Hungary, 1948-1956' (Unpublished PhD Thesis, The University of Texas at Austin, 2007)

Cagan, Phillip, 'The Monetary Dynamics of Hyperinflation', ed. by Milton Friedman (Chicago: The University of Chicago Press, 1956), pp. 25–120.

Cairncross, Alec, *Years of Recovery: British Economic Policy 1945-51* (London: Methuen & Co., 1985)

Chernyshova, Natalya, *Soviet Consumer Culture in the Brezhnev Era* (New York: Routledge, 2013)

Crowley, David, and Susan Emily Reid, 'Introduction: Pleasures in Socialism?', in *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc*, by David Crowley and Susan Emily Reid (Evanston: Northwestern University Press, 2010), pp. 3–51.

———, *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Evanston: Northwestern University Press, 2010)

Csépányi, Dezső, 'A Hároméves Terv', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó (Budapest: Akadémiai Kiadó, 1955), pp. 453–98.

Csepeli, György, Tibor Dessewffy, Dezső Dulovics, and Gábor Tóka, 'Az 1956-Os Forradalom Után Nyugatra Menekültek Attitűdjeinek Befejezetlen Vizsgálata Az Amerikai Egyesült Államokban', in *Évkönyv 1998* (Budapest: 1956-os Intézet, 1998), pp. 253–86.

Cserényi-Zsitnyányi, Ildikó, *A Politizált Gazdasági Rendőrség: A Gazdaságrendészeti Osztály, 1945-1948* (Budapest: Nemzeti Emlékezet Bizottsága, 2015)

Dale, Robert, 'Soviet Subprime: Petitions, Poverty and Rural Post-War Reconstruction' (Unpublished Paper Presented at the BASEES Annual Conference, Cambridge, 2022)

Daniel, Zsuzsa, 'The Effect of Housing Allocation on Social Inequality in Hungary', *Journal of Comparative Economics*, 9.4 (1985), 391–409

D'Attoma, John, 'Explaining Italian Tax Compliance', in *The Leap of Faith: The Fiscal Foundations of Successful Government in Europe and America*, ed. by Sven H. Steinmo (Oxford: Oxford University Press, 2018), pp. 106–27.

Daunton, Martin, *Just Taxes: The Politics of Taxation in Britain, 1914–1979* (Cambridge: Cambridge University Press, 2002)

Davies, R. W., *The Development of the Soviet Budgetary System* (Cambridge: Cambridge University Press, 1958)

Davies, Sarah, *Popular Opinion in Stalin's Russia: Terror, Propaganda and Dissent, 1934-1941* (Cambridge: Cambridge University Press, 1997)

Desmedt, Ludovic, 'De l'hyperinflation Au « miracle Monétaire »: L'expérience Hongroise de 1945-1946', *Revue Économique*, 72.2 (2021), 259–88

Dodd, Nigel, *The Social Life of Money* (Princeton: Princeton University Press, 2014)

———, *The Sociology of Money: Economics, Reason & Contemporary Society* (Cambridge: Polity Press, 1994)

Donáth, Ferenc, *Demokratikus Földreform Magyarországon, 1945-1947* (Budapest: Akadémiai Kiadó, 1969)

Dr. Jenei, Károly, Béla Rácz, and Erzsébet Strassenreiter, eds., *Az Üzemi Bizottságok a Munkáshatalomért, 1944-1948* (Budapest: Táncsics Könyvkiadó, 1966)

Ecker, Lowell L., 'The Hungarian Thrift-Crown', *The American Economic Review*, 23.3 (1933), 471–74

Eichengreen, Barry, *The European Economy since 1945: Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2007)

Eörsi, Gyula, *A Tulajdonjog Fejlődése. A Kapitalizmus Tulajdonjoga, I. Kötet* (Budapest: Jogi és Államigazgatási Könyv- és Folyóiratkiadó, 1951)

Eörsi, László, *The Hungarian Revolution of 1956: Myths and Realities* (New Jersey: Center for Hungarian Studies and Publications, 2006)

Eörsi, László, and Zsuzsanna Varga, '"Saints of the Streets" The Participants in 1956', in *Resistance, Rebellion and Revolution in Hungary and Central Europe*, ed. by László Péter and Martyn Rady (London: Hungarian Cultural Centre London, 2008), pp. 227–37.

Erdmann, Gyula, *Begyűjtés, Beszolgáltatás Magyarországon 1945-1956* (Békéscsaba: Tevan Kiadó, 1993)

Erdmann, Gyula, and Iván Pető, *A Magyar Szénbányászat a Felszabadulástól a Hároméves Terv Végéig* (Budapest: Akadémiai Kiadó, 1977)

F. Crew, David, ed., *Consuming Germany in the Cold War* (Oxford: Berg, 2003)

Falush, Peter, 'The Hungarian Hyper-Inflation of 1945-46.', *National Westminster Bank Quarterly Review*, August, 1976, 46–56

Farkas, Gyöngyi, 'Hatalom És Falusi Társadalom Az 1950-Es Években. Tüntetések a Kollektivizálás Ellen.' (Unpublished PhD Thesis, ELTE, 2010)

Fehérváry, Krisztina, *Politics in Color and Concrete: Socialist Materialities and the Middle Class in Hungary*, New Anthropologies of Europe (Bloomington: Indiana University Press, 2013)

Feinig, Jakob, 'Toward a Moral Economy of Money? Money as a Creature of Democracy', *Journal of Cultural Economy*, 13.5 (2020), 531–47

Feitl, István, 'Áttérés a Tanácsrendszerre a Fővárosban (1948–1953)', *Múltunk*, 54.3 (2009), 32–82

———, ed., *Az Ideiglenes Nemzetgyűlés És Az Ideiglenes Nemzeti Kormány, 1944-1945* (Budapest: Politikatörténeti Alapítvány, 1995)

Filtzer, Donald, *Soviet Workers and Stalinist Industrialization, 1928-1941* (New York: M. E. Sharpe, 1986)

———, *The Khrushchev Era* (London: Bloomsbury Publishing, 1993)

Fitzpatrick, Sheila, *Everyday Stalinism: Ordinary Life in Extraordinary Times: Soviet Russia in the 1930s* (Oxford: Oxford University Press, 2000)

———, 'Popular Opinion Under Communist Regimes', in *The Oxford Handbook of the History of Communism*, ed. by S. A. Smith (Oxford: Oxford University Press, 2014), pp. 371–86.

———, 'Revisionism in Soviet History', *History and Theory*, 46.4, (2007), 77–91

Fodor, Éva, *Working Difference: Women's Working Lives in Hungary and Austria, 1945–1995* (Durham: Duke University Press, 2003)

Földes, György, *Az Eladósodás Politikatörténete 1957-1986* (Budapest: Maecenas Könyvkiadó, 1995)

———, *Ívek És Töréspontok. Gazdaság, Politika, Ideológia 1945 Után* (Budapest: Napvilág Kiadó, 2018)

Forgács, Pál, László Cseh-Szombathy, and Sándor Kereszturi, *A Lakáskérdés* (Budapest: SZOT, 1958)

Friedberg, Aaron L., *In the Shadow of the Garrison State: America's Anti-Statism and Its Cold War Grand Strategy* (New Jersey: Princeton University Press, 2000)

Friedrich, Carl, and Zbigniew Brzezinski, *Totalitarian Dictatorship and Autocracy* (Cambridge: Harvard University Press, 1956)

Fulbrook, Mary, *The People's State: East German Society from Hitler to Honecker* (New Haven: Yale University Press, 2008)

Gábor R., István, and Péter Galasi, *A 'Második' Gazdaság: Tények És Hipotézisek* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1981)

Gagyiova, Annina, 'Legitimizing Socialism? Hard-Currency Stores and Western Goods in Hungary, 1956–1989', *Hungarian Studies Review*, 48.1 (2021), 19–47

———, 'Modern Housekeeping Worlds; or, How Much Is Thirty Percent Really? Eigensinnige Consumer Practices and the Hungarian Trade Union's "Washing Machine Campaign" of 1957–58', in *Making Sense of Dictatorship: Domination and Everyday Life in East Central Europe after 1945*, ed. by Celia Donert, Ana Kladnik, and Martin Sabrow (Budapest: Central European University Press, 2022)

———, *Vom Gulasch Zum Kühlschrank: Privater Konsum Zwischen Eigensinn Und Herrschaftssicherung Im Sozialistischen Ungarn (1956-1989)* (Wiesbaden: Harrassowitz, 2020)

Galambos, István, and Gergely Krisztián Horváth, eds., *Magyar Dúlás. Tanulmányok a Kényszerkollektivizálásról* (Budapest: MTA Bölcsészettudományi Kutatóközpont – Nemzeti Emlékezet Bizottsága, 2019)

Galasi, Péter, and György Sziráczki, *Labour Market and Second Economy in Hungary* (New York: Campus, 1985)

Galy, Ariane Madeleine Melodie, 'Creating the Stalinist Other: Anglo-American Historiography of Stalin and Stalinism, 1925-2013' (Unpublished PhD Thesis, The University of Edinburgh, 2014)

Garvey, George, *Money, Financial Flows and Credit in the Soviet Union* (Cambridge, Mass.: Ballinger Publishing Company, 1977)

Gati, Charles, *Failed Illusions: Moscow, Washington, Budapest, and the 1956 Hungarian Revolt* (Washington: Stanford University Press, 2006)

———, *Hungary and the Soviet Bloc* (Durham, N.C.: Duke University Press, 1986)

———, *The Bloc That Failed: Soviet-East European Relations in Transition* (Washington: Indiana University Press, 1990)

Gergely, Jenő, *A Mindszenty-Per* (Budapest: Kossuth Kiadó, 2001)

Germuska, Pál, *A Magyar Középgépipar. Hadiipar És Haditechnikai Termelés Magyarországon 1945 És 1980 Között* (Budapest: Argumentum Kiadó, 2014)

———, 'Adalékok a Magyarországi Gazdasági Intézményrendszer 1945–1948 Közötti Változásaihoz', in *Lépések a Gazdasági Teljhatalom Felé 1945-1948*, ed. by Pál Germuska and Barbara Bank (Budapest: Nemzeti Emlékezet Bizottsága, 2017), pp. 11–76.

———, '„De Hát Eszerint a Szocializmus Bedobhatja a Törülközőt?". Második Gazdaság a Kádár-Korszakban', in *Évkönyv XV.: Közelítések a Kádárizmushoz*, ed. by Pál Germuska and János Rainer M. (Budapest: 1956-os Intézet, 2008), pp. 66–84.

———, 'Military Industry versus Military-Related Firms in Socialist Hungary: Disintegration and Integration of Military Production during the 1950s and Early 1960s', *Enterprise & Society*, 11.2 (2010), 316–49

———, 'Szocialista Csoda? Magyar Iparfejlesztési Politika És Gazdasági Növekedés, 1950-1975', *Századok*, 146.1 (2012), 47–78

Germuska, Pál, and Miklós Horváth, *A Magyar Honvédelmi Igazgatás Története, 1945-1990* (Budapest: Magyar Nemzeti Levéltár, 2020)

Gervai, Béla, *A Kisipar Fejlődése, Helyzete És Szerepe Népi Demokráciánkban* (Budapest: Kisiparosok Országos Szervezete, 1960)

Gibianskii, Leonid, 'The Soviet-Yugoslav Split', in *Revolution and Resistance in Eastern Europe: Challenges to Communist Rule*, ed. by Kevin McDermott and Matthew Stibbe (Oxford: Berg, 2006), pp. 17–36.

Gleason, Abbott, *Totalitarianism: The Inner History of the Cold War* (Oxford: Oxford University Press, 1995)

Göllner, András B., ‘Foundations of Soviet Domination and Communist Political Power in Hungary: 1945-1950’, *Canadian-American Review of Hungarian Studies*, III.2 (1976), 73–105

Goven, Joanna, ‘The Gendered Foundations of Hungarian Socialism: State, Society, and the Anti-Politics of Anti-Feminism’ (Unpublished PhD Thesis, University of California at Berkeley, 1993)

Grama, Adrian, *Labouring Along: Industrial Workers and the Making of Postwar Romania* (Berlin: Walter de Gruyter, 2018)

Greene, Beth Marie, ‘Socialist Popular Culture and Youth Culture during the Long 1960s in Hungary’ (Unpublished PhD Thesis, University of California, 2013)

Gregory, Paul R., *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives* (Cambridge: Cambridge University Press, 2003)

Grierson, Philip, *The Origins of Money* (London: Athlone Press, 1977)

Gronow, Jukka, *Caviar with Champagne: Common Luxury and the Ideals of the Good Life in Stalin’s Russia* (Oxford: Berg, 2003)

Grossman, Peter Z., and János Horváth, ‘The Dynamics of the Hungarian Hyperinflation, 1945-6: A New Perspective’, *Journal of European Economic History*, 29.2 (2000), 405–27

Guentcheva, Rossitza, ‘Mobile Objects: CORECOM and the Selling of Western Goods in Socialist Bulgaria’, *Études Balkaniques*, XLV.1 (2009), 3–28

Gulyás, Martin, ‘„Szocializmust Akarunk, de Magyar Úton” A Forradalmi Munkástanácsok a Szocialista Rendszer Szétesése És Újjáépülése Időszakában (1956–1957)’ (Pázmány Péter Katolikus Egyetem, 2019)

Gyáni, Gábor, ‘A Forradalom Társadalomtörténeti Paradoxonjai’, *Forrás*, 38.10 (2006), 27–39

Gyáni, Gábor, and György Kövér, *Magyarország társadalomtörténete a reformkortól a második világháborúig* (Budapest: Osiris, 2006)

Gyarmati, György, ‘A Közigazgatás Újjászervezése Az “Ideiglenesség” Korszakában’, *Történelmi Szemle*, XXXVIII.1 (1996), 63–98

———, *A Rákosi-Korszak - Rendszerváltó Fordulatok Évtizede Magyarországon, 1945-1956* (Budapest: Rubicon-Ház Bt., 2011)

———, ‘A Társadalom Közérzete a Fordulat Évében’, in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 118–38.

———, ‘Hadigazdasági Túlterhelés, Rejtőzködő Transzformációs Veszteség És a Személyi Kultusz. A Magyarországi „új Szakaszt" Megelőző Rendszerválság 1952/53 Fordulóján’, *Századok*, 145.1 (2011), 75–116

———, ‘Politika És Társadalom, 1945–1989’, in *Magyarország a XX. Században*, ed. by István Kollega Tarsoly (Szekszárd: Babits Kiadó, 1996)

———, *Taposómalom Taposóaknákkal. Írások a Megmagyarosított Államszocializmusról* (Pécs: Kronosz Kiadó, 2019)

György, Litván, ed., *The Hungarian Revolution of 1956: Reform, Revolt and Repression 1953-1963* (London: Longman Group, 1996)

Habuda, Miklós, *A Magyar Szakszervezetek a Népi Demokratikus Forradalomban 1944–1948* (Budapest: Népszava Lap- és Könyvkiadó, 1986)

Hagelmayer, István, ‘Lehet-e Az Arany a Szocializmus Pénze?’, *Közgazdasági Szemle*, IX.9 (1962), 1088–95

———, *Pénz a szocializmusban* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1964)

Hajdu, Tibor, ‘A Rajk-per Háttere És Fázisai’, *Társadalmi Szemle*, 47.11 (1992), 17–36

Hajmási, László, ‘A 3 Éves Terv Megvalósítása Felé’, *Társadalmi Szemle*, II.6 (1947), 422–27

———, ‘Harc a Forintért’, *Társadalmi Szemle*, I.7 (1946), 511–16

Haney, Lynne A., *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002)

Hanke, Steve H., and Nicholas Krus, ‘World Hyperinflations’, in *Routledge Handbook of Major Events in Economic History*, ed. by Randall E. Parker and Robert M. Whaples (London: Routledge, 2013), pp. 367–77.

Hartwell, Christopher A., ‘Short Waves in Hungary, 1923 and 1946: Persistence, Chaos, and (Lack of) Control’, *Journal of Economic Behavior & Organization*, 163 (2019), 532–50

Hegedüs, József, ‘Self-Help Housing in Hungary: The Changing Role of Private Housing Provision in Eastern Europe’, in *Beyond Self-Help Housing*, ed. by Kosta Matey (London: Mansell, 1992), pp. 217–31.

Hegedüs, József, and Iván Tosics, ‘A Lakásrendszer Szociológiai És Közgazdasági Elemzése’ (Unpublished CSc Thesis, MTA, 1993)

Heinzen, James W., *The Art of the Bribe: Corruption Under Stalin, 1943-1953* (New Haven: Yale University Press, 2016)

Hessler, Julie, *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917-1953* (Princeton: Princeton University Press, 2004)

Hodos, George H., *Show Trials: Stalinist Purges in Eastern Europe, 1948-1954* (New York: Praeger, 1987)

Holzman, Franklyn D, *Soviet Taxation: The Fiscal and Monetary Problems of a Planned Economy* (Cambridge: Harvard University Press, 1955)

Honvári, János, *Magyarország Gazdaságtörténete Trianontól a Rendszerváltásig* (Budapest: Aula Kiadó, 2005)

———, *XX. Századi Magyar Gazdaságtörténet* (Budapest: Aula Kiadó, 2006)

Horváth, Sándor, *Children of Communism* (Bloomington: Indiana University Press, 2022)

———, *Két Emelet Boldogság. Mindennapi Szociálpolitika Budapesten a Kádár-Korban* (Budapest: Napvilág Kiadó, 2012)

———, *Stalinism Reloaded: Everyday Life in Stalin-City, Hungary* (Bloomington: Indiana University Press, 2017)

Horváth, Sándor, György Majtényi, and Eszter Zsófia Tóth, 'A Magyarországi Élmunkás És Sztahanovista Kitüntetés', *Turul*, MCMXCVII.1-2. (1997), 29–42

Horváth, Sándor, László Pethő, and Eszter Zsófia Tóth, eds., *Munkástörténet - Munkásantropológia* (Budapest: Napvilág Kiadó, 2003)

Huhák, Heléna, *Agitátorok* (Budapest: Jaffa Kiadó, 2022)

Huszti, Ernő, 'Hetven Éves a Magyar Forint', *Pénzügyi Szemle*, 61.4 (2016), 447–55

Hutchings, Raymond, *The Soviet Budget* (London: Palgrave Macmillan UK, 1983)

Hyman, Louis, *Debtor Nation: The History of America in Red Ink* (Princeton: Princeton University Press, 2011)

Ingham, Geoffrey, '"Babylonian Madness": On the Historical and Sociological Origins of Money', in *What Is Money?*, ed. by John Smithin (London: Routledge, 2000), pp. 16–41.

———, 'Fundamentals of a Theory of Money: Untangling Fine, Lapavitsas and Zelizer', *Economy and Society*, 30.3 (2001), 304–23

———, *Money* (Medford: Polity Press, 2019)

———, 'On the Underdevelopment of the 'Sociology of Money'', *Acta Sociologica*, 41.1 (1998), 3–18

———, *The Nature of Money* (Cambridge: Polity, 2004)

Ironside, Kristy, *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union* (Cambridge, Mass.: Harvard University Press, 2021)

———, 'Khrushchev's Cash-and-Goods Lotteries and the Turn Toward Positive Incentives', *The Soviet and Post-Soviet Review*, 41.3 (2014), 296–323

Ispán, Ágota Lívia, *A Város Vidéke - A Falusi Lakosság Életmódváltása Az Urbanizáció Hatására* (Budapest: MTA, 2020)

Ivanova, Anna, ‘Shopping in Beriozka: Consumer Society in the Soviet Union’, *Zeithistorische Forschungen*, 10.2 (2013), 243–63

Kalmár, Melinda, *Ennivaló És Hozomány - A Kora Kádárizmus Ideológiája* (Budapest: Magvető Könyvkiadó, 1998)

Kádár, Zsuzsanna, ‘Az SZDP Beolvasztása’, in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 271–80.

Kecskemeti, Paul, *The Unexpected Revolution: Social Forces in the Hungarian Uprising* (Stanford: Stanford University Press, 1961)

Keller, Márkus, *Szocialista Lakhatás?* (Budapest: L’Harmattan Kiadó, 2018)

Kelly, Catriona, *Children’s World: Growing Up in Russia, 1890-1991* (New Haven: Yale University Press, 2008)

Kemény, George, *Economic Planning in Hungary 1947-9* (London: Royal Institute of International Affairs, 1952)

Kende, Péter, *1956 És Ami Utána Következett* (Budapest: Kalligram, 2016)

———, *Eltékozolt Forradalom?* (Budapest: Argumentum, 2006)

Kenez, Peter, *Hungary from the Nazis to the Soviets* (Cambridge: Cambridge University Press, 2006)

Kenney, Padraic, *Rebuilding Poland: Workers and Communists, 1945-1950* (Ithaca: Cornell University Press, 1997)

Kepes, Tamás, and László Milulinovits, eds., *A Pénz a Szocializmusban* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1955)

Keynes, John Maynard, *A Treatise on Money* (London: Macmillan & Co., 1930)

Kimble, James J., *Mobilizing the Home Front: War Bonds And Domestic Propaganda* (College Station: Texas A&M University Press, 2006)

Kirschenbaum, Lisa A., *Small Comrades: Revolutionizing Childhood in Soviet Russia, 1917-1932* (New York: Routledge, 2001)

Kisőrsi, Zsófia, ‘Az Államszocializmus Ingázóinak Társadalmi Helyzete És Megítélése Vas Megyében (1960–1990)’ (Unpublished PhD Thesis, ELTE, 2021)

Knapp, Georg Friedrich, *The State Theory of Money* (London: MacMillan, 1924)

Kocsis, János Balázs, ‘Lakáspolitika Budapesten, 1950–1959’, *Múltunk*, 54.3 (2009), 83–122

Konrád, György, and Iván Szelényi, *Az új lakótelepek szociológiai problémái* (Budapest: Akadémiai Kiadó, 1969)

———, *The Intellectuals on the Road to Class Power* (New York: Harcourt Brace Jovanovich, 1979)

Kontorovich, Vladimir, 'The Preobrazhenskii-Feldman Myth and the Soviet Industrialization', *SSRN Electronic Journal*, 2013, 1–41

Kontorovich, Vladimir, and Alexander Wein, 'What Did the Soviet Rulers Maximise?', *Europe-Asia Studies*, 61.9 (2009), 1579–1601

Kornai, János, *Economics of Shortage, Volume B* (Amsterdam: North-Holland Publishing Company, 1980)

———, *The Socialist System: The Political Economy of Communism* (Princeton: Princeton University Press, 1992)

Korom, Mihály, *A Népi Bizottságok És a Közigazgatás Magyarországon, 1944-1945* (Budapest: Kossuth Kiadó, 1984)

———, *Magyarország Ideiglenes Nemzeti Kormánya És a Fegyverszünet* (Budapest: Akadémiai Kiadó, 1981)

Kotkin, Stephen, *Magnetic Mountain: Stalinism as a Civilization* (Berkeley: University of California Press, 1995)

Kotsonis, Yanni, *States of Obligation: Taxes and Citizenship in the Russian Empire and Early Soviet Republic* (Toronto: University of Toronto Press, 2016)

Kramer, Mark, 'The Changing Pattern of Soviet–East European Relations 1953–1968', in *The Cambridge History of Communism: Volume 2, the Socialist Camp and World Power 1941-1960s*, ed. by Norman Naimark, Silvio Pons, and Sophie Quinn-Judge (Cambridge: Cambridge University Press, 2017), pp. 139–69.

László, Pál, Gyula Udvarhelyi, and Miklós Wolf, *Lakásépítés Állami Támogatással* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1959)

Lawson, George, *Anatomies of Revolution* (Cambridge University Press, 2019)

Lebow, Katherine, *Unfinished Utopia: Nowa Huta, Stalinism, and Polish Society, 1949-56* (Ithaca: Cornell University Press, 2013)

Lerner, Abba P., 'Money as a Creature of the State', *The American Economic Review*, 37.2 (1947), 312–17

Liping, He, *Hyperinflation: A World History* (Oxon: Routledge, 2018)

Litván, György, 'A Nagy Imre-Csoport Kialakulása És Tevékenysége 1955. Április–1956. Július', *Társadalmi Szemle*, XLVII.6 (1992), 89–95

Lomax, Bill, *Hungary 1956* (London: Allison & Busby, 1976)

———, *The Hungarian Workers' Councils in 1956* (New York: Atlantic Research Publication, 1990)

Łoś, Maria, ‘Introduction’, in *The Second Economy in Marxist States*, ed. by Maria Łoś (New York: Palgrave Macmillan, 1990), pp. 1–10.

Lynch, Frances M. B., *France and the International Economy: From Vichy to the Treaty of Rome* (London: Routledge, 1997)

Major, Máté, ‘A Családiház Problémáról - Nem Utoljára’, *Valóság*, IV.5 (1961), 61–69

Majoros, Krisztina, ‘A Múlt Század Jeles Magyar Közgazdásza: Varga István (1897–1962)’, *MTA - Közgazdaságtudományi Kutatóközpont Műhelytanulmányok*, 9 (2003)

———, ‘István Varga’s Role in the 1946 Hungarian Stabilization’, *Business Studies*, 1.1 (2000), 101–12

———, ‘Varga István (1897-1962)’ (Unpublished PhD Thesis, University of Miskolc, 2001)

Majtényi, György, *A Tudomány Lajtorjája: ‘Társadalmi Mobilitás’ És ‘Új Értelmiség’ Magyarországon a II. Világháború Után* (Budapest: Gondolat Kiadó, 2005)

———, *Egy forint a krumplis lángos: a Kádár-kor társadalma* (Budapest: Libri Kiadó, 2018)

Malle, Silvana, *The Economic Organization of War Communism 1918-1921* (Cambridge: Cambridge University Press, 1985)

Mányó-Váróczi, Violetta, ‘Varga István a Tudományszervező És Gazdaságpolitikus’ (Unpublished PhD Thesis, Pázmány Péter Katolikus Egyetem, 2016)

Mark, James, ‘Remembering Rape: Divided Social Memory and the Red Army in Hungary 1944-1945’, *Past & Present*, 188.1 (2005), 133–61

Marx, Karl, *Capital Volume I* (London: Penguin, 1982)

———, *Capital Volume III* (London: Penguin, 1991)

———, *Critique of the Gotha Programme* (Gloucester: Dodo Press, 2009)

McDermott, Kevin, ‘Popular Resistance in Communist Czechoslovakia: The Plzeň Uprising, June 1953’, *Contemporary European History*, 19.4 (2010), 287–307

Menger, Karl, ‘On the Origin of Money’, *The Economic Journal*, 2.6 (1892), 239–55

Mevius, Martin, *Agents of Moscow: The Hungarian Communist Party and the Origins of Socialist Patriotism 1941-1953* (Oxford: Clarendon Press, 2005)

Mill, John Stuart, *Principles of Political Economy Vol. I.* (New York: D. Appleton and Company, 1877)

Mitchell, William, Martin Watts, and L. Randall Wray, *Macroeconomics* (London: Red Globe Press, 2019)

Mitchell-Innes, Alfred, 'The Credit Theory of Money', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham: Edward Elgar Publishing, 2004), pp. 50–78.

———, 'What Is Money?', in *Credit and State Theories of Money: The Contributions of A. Mitchell Innes*, ed. by L. Randall Wray (Cheltenham: Edward Elgar Publishing, 2004), pp. 14–49.

Molnar, Virag, *Building the State: Architecture, Politics, and State Formation in Postwar Central Europe* (London: Routledge, 2013)

———, 'In Search of the Ideal Socialist Home in Post-Stalinist Hungary: Prefabricated Mass Housing or Do-It-Yourself Family Home?', *Journal of Design History*, 23.1 (2010), 61–81

Molnár, János, 'A Munkás- És Paraszttömegek Harca a Kommunista Párt Vezetésével a Reakció Ellen', in *Tanulmányok a Magyar Népi Demokrácia Történetéből*, ed. by Miklós Lackó, 293–372 (Budapest: Akadémiai Kiadó, 1955), pp. 155–236.

Mommen, André, 'Káldor versus Varga – The Hungarian Three-Year Economic Reconstruction Plan of 1947', *Acta Oeconomica*, 67.1 (2017), 157–73

Mong, Attila, *Kádár Hitele* (Budapest: Libri, 2012)

Murphy, Liam, and Thomas Nagel, *The Myth of Ownership* (Oxford: Oxford University Press, 2002)

Nagy, Ágnes, *Harc a Lakáshivatalban. Politikai Átalakulás És Mindennapi Érdekérvényesítés a Fővárosban, 1945–1953* (Budapest: Korall, 2013)

Naimark, Norman M., 'Stalin and Europe in the Postwar Period, 1945–53: Issues and Problems', *Journal of Modern European History*, 2.1 (2004), 28–57

Nelson, Daniel N., *Elite-Mass Relations in Communist Systems* (London: MacMillan Press, 1988)

Nogaro, Bertrand, 'Hungary's Recent Monetary Crisis and Its Theoretical Meaning', *The American Economic Review*, 38.4 (1948), 526–42

Nove, Alec, *The Soviet Economic System* (London: Allen & Unwin, 1987)

Obinger, Herbert, Klaus Petersen, and Peter Starke, eds., *Warfare and Welfare: Military Conflict and Welfare State Development in Western Countries* (Oxford: Oxford University Press, 2018)

O'Neill, Martin, and Shepley W. Orr, eds., *Taxation: Philosophical Perspectives* (Oxford: Oxford University Press, 2018)

Osokina, Elena, *Our Daily Bread: Socialist Distribution and the Art of Survival in Stalin's Russia, 1927–1941* (New York: Sharpe, 2001)

———, *Stalin's Quest for Gold: The Torgsin Hard-Currency Shops and Soviet Industrialization* (New York: Cornell University Press, 2021)

Osokina, Elena A., 'Economic Disobedience under Stalin', in *Contending with Stalinism*, ed. by Lynne Viola, Soviet Power and Popular Resistance in the 1930s (New York: Cornell University Press, 2002), pp. 170–200.

Paal, Beatrix, 'Destabilizing Effects of a Successful Stabilization: A Forward-Looking Explanation of the Second Hungarian Hyperinflation', *Economic Theory*, 15.3 (2000), 599–630

———, 'Measuring the Inflation of Parrallel Currencies: An Empirical Reevaluation Of the Second Hungarian Hyperinflation', *Stanford University Working Paper No. 00-01*, 2000

Palasik, Mária, *Chess Game for Democracy: Hungary between East and West, 1944-1947* (Montréal: McGill-Queen's University Press, 2011)

Parry, Jonathan, and Maurice Bloch, *Money and the Morality of Exchange* (Cambridge: Cambridge University Press, 1989)

Perović, Jeronim, 'The Tito-Stalin Split: A Reassessment in Light of New Evidence', *Journal of Cold War Studies*, 9.2 (2007), 32–63

Péteri, György, 'New Course Economics: The Field of Economic Research in Hungary after Stalin, 1953–6', *Contemporary European History*, 6.3 (1997), 295–327

Petersen, Klaus, 'The Early Cold War and the Western Welfare State', *Journal of International and Comparative Social Policy*, 29.3 (2013), 226–40

Pető, Andrea, 'A Munkások Életkörülményei Magyarországon Az 1950-Es Években' (Unpublished PhD Thesis, ELTE, 1992)

———, *Elmondani Az Elmondhatatlant* (Budapest: Jaffa Kiadó, 2018)

———, *Women in Hungarian Politics, 1945-1951* (Boulder: East European Monographs, 2003)

Pető, Iván, 'Az Első Hároméves Terv Beruházásai', *Történelmi Szemle*, XV.1-2. (1972), 213–24

Pető, Iván, and Sándor Szakács, *A Hazai Gazdaság Négy Évtizedének Története 1945-1985. I.* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1985)

Petrov, Vladimir, *Money and Conquest: Allied Occupation Currencies in World War II* (Baltimore: The John Hopkins Press, 1967)

Pittaway, Mark, *Eastern Europe 1939-2000* (London: Hodder Arnold, 2004)

———, 'Retreat from Collective Protest: Household, Gender, Work and Popular Opposition in Stalinist Hungary', in *Rebellious Families: Household Strategies and Collective*

Action in the 19th and 20th Centuries, ed. by Jan Kok (New York: Berghahn Books, 2002), pp. 199–229.

———, 'The Education of Dissent: The Reception of the Voice of Free Hungary, 1951–56', *Cold War History*, 4.1 (2003), 97–116

———, 'The Politics of Legitimacy and Hungary's Postwar Transition', *Contemporary European History*, 13.4 (2004), 453–75

———, 'The Revolution and Industrial Workers: The Disintegration and Reconstruction of Socialism, 1953-1958', *Hungarian Studies Review*, XXXIV.1–2 (2007), 115–54

———, 'The Social Limits of State Control: Time, the Industrial Wage Relation, and Social Identity in Stalinist Hungary, 1948-1953', *Journal of Historical Sociology*, 12.3 (1999), 271–301

———, *The Workers' State: Industrial Labor and the Making of Socialist Hungary, 1944-1958* (Pittsburgh: University of Pittsburgh Press, 2012)

———, 'Workers in Hungary', in *Power and the People: A Social History of Central European Politics, 1945-56*, ed. by Eleonore C. M. Breuning, Jill Lewis, and Gareth Pritchard (Manchester University Press, 2005), pp. 57–75.

Polanyi, Karl, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001)

Preobrazhensky, Eugene, *The New Economics* (Oxford: Clarendon Press, 1965)

R. Dye, Thomas, *Understanding Public Policy* (New York: Pearson, 2017)

Rácz, János, *Az Üzemi Bizottságok a Magyar Népi Demokratikus Átalakulásban 1944-1948* (Budapest: Akadémiai Kiadó, 1971)

Rainer M., János, *Az 1956-Os Magyar Forradalom* (Budapest: Osiris Kiadó, 2016)

———, *Bevezetés a Kádárizmusba* (Budapest: L'Harmattan Kiadó, 2011)

———, *Nagy Imre 1896-1953* (Budapest: 1956-os Intézet, 1996)

———, *Nagy Imre 1953-1958* (Budapest: 1956-os Intézet, 1999)

———, 'Revisiting Hungarian Stalinism', in *Stalinism Revisited: The Establishment of Communist Regimes in East-Central Europe*, ed. by Vladimir Tismaneanu (Budapest: Central European University Press, 2009), pp. 231–54.

Randall, Amy E., *The Soviet Dream World of Retail Trade and Consumption in the 1930s* (London: Palgrave Macmillan, 2008)

Ránki, György, *Magyarország Gazdasága Az Első 3 Éves Terv Időszakában: 1947-1949* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1963)

———, ‘The Socialist Reorganization of the National Economy and the Five-Month Plan (1948)’, *Acta Historica Academiae Scientiarum Hungaricae*, 10.3/4 (1964), 273–305

Reichman, Henry, ‘Reconsidering “Stalinism”’, *Theory and Society*, 17.1 (1988), 57–89

Reid, Susan E., ‘Cold War in the Kitchen: Gender and the De-Stalinization of Consumer Taste in the Soviet Union under Khrushchev’, *Slavic Review*, 61.2 (2002), 211–52

Rév, István, *Retroactive Justice: Prehistory of Post-Communism* (Stanford: Stanford University Press, 2005)

Ricardo, David, *On the Principles of Political Economy and Taxation* (London: J. M. Dent and Sons Ltd., 1911)

Riesz, Miklós, *A Szocialista Gazdaság Hitelpénzforgalmának Egyes Kérdései* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1965)

———, *Pénzforgalom És Hitel* (Budapest: Tankönyvkiadó, 1970)

Roberts, Geoffrey, ‘Averting Armageddon: The Communist Peace Movement, 1948–1956’, in *The Oxford Handbook of the History of Communism*, ed. by S. A. Smith (Oxford: Oxford University Press, 2014), pp. 322–38.

Romsics, Ignác, *Magyar Rebellisek* (Budapest: Helikon, 2019)

———, *Magyarország története a XX. században* (Budapest: Osiris Kiadó, 2010)

Róna-Tas, Ákos, *The Great Surprise of the Small Transformation: The Demise of Communism and the Rise of the Private Sector in Hungary* (Ann Arbor: University of Michigan Press, 1997)

Ruml, Beardsley, ‘Taxes for Revenue Are Obsolete’, *American Affairs*, 8.1 (1946), 35–39

Scarboro, Cristofer, Diana Mincyte, and Zsuzsa Gille, eds., *The Socialist Good Life: Desire, Development, and Standards of Living in Eastern Europe* (Bloomington: Indiana University Press, 2020)

Scheve, Kenneth, and David Stasavage, *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe* (Princeton, N.J.: Princeton University Press, 2016)

Schumpeter, Joseph, *History of Economic Analysis* (New York, 1954)

———, *The Theory of Economic Development* (Cambridge: Harvard University Press, 1934)

Scott, James C., *Domination and the Arts of Resistance* (New Haven: Yale University Press, 1992)

———, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985)

Siegelbaum, Lewis H., *Stakhanovism and the Politics of Productivity in the USSR, 1935-1941* (Cambridge: Cambridge University Press, 1988)

Siegelbaum, Lewis H., and Ronald Grigor Suny, eds., *Making Workers Soviet: Power, Class, and Identity* (Ithaca: Cornell University Press, 1994)

Sík, Endre, 'Egy Ló-Öszvér a Lovakról És a Szamarakról. Adalék a Második Gazdaság Hazai Eszmetörténetéhez', *Közgazdasági Szemle*, XLIII.7–8 (1996), 704–25

Siklos, Pierre L., 'The End of the Hungarian Hyperinflation of 1945-1946', *Journal of Money, Credit and Banking*, 21.2 (1989), 135–47

———, *War Finance, Reconstruction, Hyperinflation and Stabilization in Hungary, 1938–48* (London: Palgrave Macmillan, 1991)

Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations Vol. I.* (Oxford: Oxford University Press, 1976)

Smith, Mark B., *Property of Communists: The Urban Housing Program from Stalin to Khrushchev* (DeKalb: Northern Illinois University Press, 2010)

Standeisky, Éva, 'A Kommunisták Politikai Antiszemitizmusa (1945-1957)', *Századvég*, 12.44 (2007), 3–29

Swain, Geoffrey, and Nigel Swain, *Eastern Europe since 1945* (Basingstoke: Macmillan, 1998)

Swain, Nigel, *Hungary: The Rise and Fall of Feasible Socialism* (London: Verso, 1992)

Szamuely, László, and László Csaba, *Rendszerváltozás a Közgazdaságtanban - Közgazdaságtan a Rendszerváltozásban* (Budapest: Közgazdasági Szemle Alapítvány, 1998)

Szász, Béla, *Volunteers for the Gallows: Anatomy of a Show-Trial,* (New York: Norton, 1972)

Székely, Gábor, 'A Kominform, 1947-1949', in *Fordulat a Világban És Magyarországon. 1947-1949*, ed. by István Feitl, Lajos Izsák, and Gábor Székely (Budapest: Napvilág Kiadó, 2000), pp. 62–74.

Szelenyi, Ivan, 'Social Inequalities in State Socialist Redistributive Economies', *International Journal of Comparative Sociology*, 19.1–2 (1978), 63–87

———, *Urban Inequalities Under State Socialism* (Oxford: Oxford University Press, 1983)

Szerencsés, Károly, *A Kékcédulás Hadművelet* (Budapest: IKVA Kiadó, 1992)

Tabajdi, Gábor, *Kiegyezés Kádárral - 'Szövetségi Politika', 1956-1963* (Budapest: Jaffa Kiadó, 2013)

Tamasi, Mihály, *Társadalmi És Politikai Változások Szegeden 1939–1949 Között* (Szeged: Bába Kiadó, 2004)

Tamáska, Máté, ed., *Kockaház - A 20. Század Vidéki Háztípusa* (Budapest: Martin Opitz Kiadó, 2021)

Tefner, Zoltán, ‘A „forint Atyjának” Külföldi Kapcsolatai: Varga István És a Lengyelek’, *Valóság*, 61.10 (2018), 92–107

Thomson, David K., *Bonds of War: How Civil War Financial Agents Sold the World on the Union* (Chapel Hill: University of North Carolina Press, 2022)

Tomka, Béla, *Austerities and Aspirations: A Comparative History of Growth, Consumption, and Quality of Life in East Central Europe since 1945* (Budapest: Central European University Press, 2020)

Tóth, Eszter Zsófia, ‘A Csepel Vas- És Fémművek Munkástanácsainak Története (1956-1957)’, *Múltunk*, 44.4 (1999), 163–98

———, ‘Nők Férfias Terepeken És Férfi Foglalkozásokban; A „férfias” És a „nőies” Munka Világa a Szocialista Időszakban’, *Sic Itur Ad Astra*, 19.58 (2008), 269–82

———, *„Puszi Kádár Jánosnak”. Munkásnők Élete a Kádár-Korszakban Mikrotörténeti Megközelítésben* (Budapest: Napvilág Kiadó, 2007)

Uphoff, Norman, ‘Distinguishing Power, Authority & Legitimacy: Taking Max Weber at His Word by Using Resources-Exchange Analysis’, *Polity*, 22.2 (1989), 295–322

Urbán, Károly, ‘Nagy Imre Első Miniszterelnöksége’, *Társadalmi Szemle*, XLVII.6 (1992), 72–81

Valuch, Tibor, *Everyday Life under Communism and After: Lifestyle and Consumption in Hungary, 1945–2000* (Budapest: Central European University Press, 2022)

———, *Magyarország Társadalomtörténete a XX. Század Második Felében* (Budapest: Osiris Kiadó, 2005)

Varga, István, *Az Újabb Magyar Pénztörténet És Egyes Elméleti Tanulságai* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1964)

Varga-Harris, Christine, *Stories of House and Home: Soviet Apartment Life During the Khrushchev Years* (Ithaca: Cornell University Press, 2016)

Varsa, Eszter, *Protected Children, Regulated Mothers: Gender and the ‘Gypsy Question’ in State Care in Postwar Hungary, 1949–1956* (Budapest: Central European University Press, 2021)

Vásárhelyi, Miklós, ‘Az Első Meghiúsított Reformkísérlet’, *Medvetánc*, 2.2–3 (1988), 149–205

Vida, István, *A Független Kisgazdapárt Politikája 1944-1947* (Budapest: Akadémiai Kiadó, 1976)

Vonyó, Tamás, and Andrei Markevich, ‘Economic Growth and Structural Developments, 1945–1989’, in *The Economic History of Central, East and South-East Europe: 1800 to the Present*, ed. by Matthias Morys (London: Routledge, 2021)

Warriner, Doreen, *Revolution in Eastern Europe* (London: Turnstile Press, 1950)

Wernicke, Günter, 'The Communist-Led World Peace Council and the Western Peace Movements: The Fetters of Bipolarity and Some Attempts to Break Them in the Fifties and Early Sixties', *Peace & Change*, 23.3 (1998), 265–311

Winklé, F. F., 'Some Aspects of the Recent Inflation and Stabilization of the Hungarian Currency', *South African Journal of Economics*, 15.3 (1947), 178–91

Wray, L. Randall, *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems* (London: Palgrave, 2012)

Zatlin, Jonathan R., *The Currency of Socialism: Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2007)

Zelizer, Viviana A, *The Social Meaning of Money* (New York: Basic Books, 1994)

Zinner, Paul E., *Revolution in Hungary* (New York: Columbia University Press, 1962)