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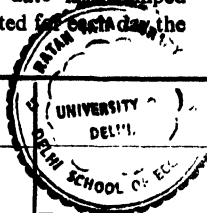
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REVOLUTION IN
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REVOLUTION IN EASTERN EUROPE

by

DOREEN WARRINER



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CONTENTS

CHAPTER	PAGE
FOREWORD	vii
INTRODUCTION	ix
I. LIBERATION AND THE NATIONAL FRONTS	1
II. PEOPLE'S DEMOCRACY	16
III. YUGOSLAVIA AND THE COMINFORM	47
IV. NATIONALISM	64
V. THE PLANS	79
VI. PLANNING IN PRACTICE	109
VII. THE LAND FOR THE PEASANTS	131
VIII. COLLECTIVE FARMING	142
IX. THE ECONOMIC CONSEQUENCES	163
APPENDIX	175
MAPS : NATIONALITIES IN 1937 AND FRONTIER CHANGES	66
THE COAL REGION	86-87
THE DANUBE BASIN	102-103
INDEX	185

FOREWORD

My object in writing in this book has been to emphasise the significance of the economic changes brought by the revolution in eastern Europe, rather than the political; and I have therefore dealt with the political development only in so far as it has direct bearing on the economic, without attempting to cover the political changes in detail. As much as possible I have relied upon my own observations, made during several visits to eastern Europe between 1945 and 1949. The first and longest of these was to Yugoslavia, where I spent a year in the Unrra Mission in Belgrade, from April 1945 to May 1946. As correspondent of *The New Statesman* I went to Poland for the 1947 elections, and again in 1948; to Hungary for the 1947 crisis, and again in 1948 and 1949, after the Rajk trial; to Bulgaria for the Petkov trial; to Yugoslavia again in 1948, after the Cominform split; and to Czechoslovakia in 1947, 1948, and 1949. I was not able to get a visa for Rumania, and so have not dealt with this country at all.

It will be evident from Chapter V how much I have relied on the annual *Economic Survey* produced by the Secretariat of the Economic Commission for Europe, in which I worked as consultant in 1948; and I have to thank the Research Division of the Secretariat for supplying me with figures to bring their earlier tables up to date. My thanks are due to Brian Ireland, Basil Davidson, and Professor R. R. Betts for many suggestions made in reading the proofs; and to Mrs. Ilona Polanyi.

DOREEN WARRINER.

INTRODUCTION

THE NEED FOR REVOLUTION

SINCE 1945 there has been a revolution in eastern Europe which has overthrown the whole political and economic system of the past. To understand the meaning of this revolution, it is necessary first to look back at this region of Europe as it was before.

In 1938, the outstanding fact about eastern Europe as a whole, with the exception of Czechoslovakia, was that it was Fascist-ruled. The regimes headed by Horthy, Boris, Beck, Stojadinović and Antonescu were not the creation of Nazism: on the contrary, they had come to power long before Hitler appeared on the European scene, as a result of the victory of internal reaction in the nineteen-twenties. For a brief period after the First World War, the east European countries were ruled by popular parties through a system of parliamentary democracy. At the time of the last peace settlement, the victorious Allies had had a free hand in eastern Europe, and they had used it to create new national states with parliamentary constitutions after their own image. But the new pattern of 1919 did not last. Within a decade, the constitutions had been wiped out, and the popular parties suppressed by oppressive and unpopular military dictatorships.

Parliamentary democracy failed to take root. One reason for its collapse was that the Western powers themselves did not support it: on the contrary, they openly aided Horthy in the Hungarian counter-revolution, and tacitly backed Pilsudski. The popular parties were crushed out of existence by extremes of oppression—in Horthy's White Terror in 1920, in the Tsankov reign of terror in Bulgaria in 1923, in the Polish 'pacification' of the Ukrainian districts in 1930. But at that time the Western powers did not protest, and there was no outcry, then, in the Western press about democracy in eastern

INTRODUCTION

Europe. In reality, Britain and France were concerned with the small nations only as a *cordon sanitaire* against Russia: so long as the dictatorships were anti-Soviet, it did not matter if they were also anti-democratic.

The popular parties themselves were also to blame for their failure to hold power. Peasants and Socialists could find no common ground; both in Poland and Hungary, the failure of democratic government was directly due to the conflict between them which gave reaction its opportunity. On the side of the workers, there was no understanding of the needs of the peasants: the Social Democrats represented the small class of skilled workers in the towns, which despised the peasants as stupid and conservative, while fearing the threat to trade union organisation represented by the reserve of underpaid labour on the land. Equally, on the side of the Peasant Parties, there was no belief in social progress. Up to 1918 the Peasant Parties had been a liberal and radical movement, representing the interests of the peasants against the landowners. After they came to power in the new agrarian states, they carried through partial measures of land reform. Once these reforms had been carried through, the Peasant Parties had no further policy, and when the short phase of the 'Green Revolution' was over, they settled down into conservative and nationalist parties, representing the peasants in possession. The land reform was a remedy for one generation only: in the years after, the numbers of landless and sub-landed peasants grew: and the old Peasant Parties did not represent the needs of this growing class.

Behind these two causes of failure, there lay a more fundamental reason for the breakdown of democracy, the social structure itself. 'Bourgeois' democracy needs a middle class to make it work, and in eastern Europe as a whole there was no strong middle class, because there had never been an industrial revolution. The 'bourgeois revolution' of 1919 was abortive because there was no wind to fill the sails of the new liberal constitutions. It was only in Czechoslovakia that the new pattern did work, because the country was already highly

INTRODUCTION

industrialised, and had a strong middle class. In the Balkans, even at the time, the fact that parliamentary democracy did not fit their conditions was recognised by the leaders of the radical Peasant Parties, Radić in Croatia and Stambulisky in Bulgaria, who preached 'peasant democracy', in the sense of a primitive agrarian socialism, directed against the towns as the exploiters of the peasantry. But the weakness of that conception of society was that it was static; the peasants, once they had the land, did not provide a mainspring for progress.

With the victory of reaction, nationalism turned sour. Up to 1918, the desire for national independence against the autocratic rule of Austria-Hungary, Germany and Tsarist Russia had been a progressive force. But when national independence had been achieved, and as parliamentary democracy failed, the dictatorships exploited the national grievances to build up their own power, and to distract attention from internal evils. In Yugoslavia, the strength of King Alexander's dictatorship was pan-Serbism, used to suppress the Croats: in Bulgaria, King Boris relied for ten years on the Macedonian terrorists to keep down the Agrarians and the Communists: in Hungary, the Horthy regime was consolidated by playing up the diversion value of Hungary's territorial claims on its neighbours. In part, of course, national feeling sprang from real injustices in the peace settlement: but to a great extent the extreme nationalism which poisoned the air sprang from internal oppression and economic paralysis.

With political oppression economic stagnation went hand in hand. Five countries, Poland, Hungary, Yugoslavia, Bulgaria, and Rumania were mainly agricultural, with the bulk of their population on the land as small peasant farmers or landless labourers. Industry developed very slowly. The greater part of industrial and financial capital was owned by foreign interests. In the nineteen-thirties, as a result of the world agricultural crisis, the agrarian states faced an insoluble trade balance problem. Their chief exports, food and timber, fell sharply in value, and tariffs rose against them in western Europe; in consequence they were unable to pay interest on their foreign

INTRODUCTION

capital, or to buy raw materials to keep their industries working.

Unbalanced trade was only the external aspect of a deeper economic problem. In these backward and predominantly agricultural countries, the rate of population growth was extremely fast, in Poland and the Balkan countries about three times as fast as in Western Europe. Most of this increase of population had to find employment in an already overcrowded countryside, on small farms using primitive methods of grain growing. The result was rural under-employment on a vast scale. By the nineteen-thirties, a large proportion of the peasant population was 'surplus'—in the sense that it could have left the land without reducing agricultural production. The size of this surplus population cannot of course be exactly estimated, since it took the form of half-employment for most of the farm population: but the various estimates that have been made agree that it was large, amounting to between one-quarter and one-third of the total population on the land.

The result was growing poverty. The pressure of population on the land meant that the small farms were divided into ever smaller units. Methods of farming remained primitive, because the peasants were too poor to invest in machinery and live-stock, and of necessity kept most of their land under grain to grow their own food. In every country, there were big regions where the majority of the peasants did not own enough land to cover their own needs—the mountains of Yugoslavia, for instance, and all Southern Poland. Even where the farms were large enough to produce enough food, the standard of living, measured in manufactured goods, was very low, and during the 'thirties was falling.

For this widespread poverty the only remedy would have been industrialisation. But to this the obstacles were shortage of capital, and the lack of an internal market due to the poverty of the peasants. Foreign capital did not relieve the shortage, because it was invested only in the raw materials needed by the West, such as Rumanian oil and Yugoslav minerals: it skimmed the cream and took both produce and

INTRODUCTION

profits out of the country, without putting the money back into projects for long-term development.

Peasant poverty therefore created a vicious circle, with no way out. It was not a transient thing, which could be expected to disappear with gradual economic advance, for within the existing set-up there could be no such thing as a gradual economic advance. The dictatorships existed to prevent it, to protect the interests of the foreign investors, and their local capitalists and landowners, who both had vested interests in stagnation. The ruling class was a paralytic network of interests resisting change, topped off by a monarchy or military dictator, and banked up on nationalism.

Inevitably, eastern Europe fell under Nazi domination. Alliance with the Axis re-inforced the weak dictatorships. Territorial claims in Hungary and Bulgaria, minority grievances of Germans, Croats, Magyars and Slovaks, could be utilised by Hitler to gain support. Above all, Nazi Germany offered a solution for the trade balance problem, because it needed the main exports of food, timber, metals and oil, and cheap labour. By gradual penetration, between 1936 and 1939, eastern Europe was integrated into the Nazi war economy as "Food Space" with the bulk of its exports directed to the Reich, its industry under German control. After Munich, it was, as Chamberlain said, 'quite natural that Germany should dominate eastern and south-eastern Europe.'

That is the background of the present revolution. It is a revolution against bad government and German domination, against nationalism and economic stagnation. By contrast with the last peace settlement, its outstanding feature is the emphasis on economic development. Its significance lies not only in the political change—the destruction of the old ruling groups, the 'regime of the colonels' in Poland, the 'Fifty Families' in Hungary, the chauvinist court circles in Belgrade and Sofia, but also in the economic dynamic which accompanies it. What eastern Europe primarily needed was the industrial revolution, and without the shift in the European balance of power

INTRODUCTION

resulting from Soviet victory it would never have come. Western Europe, so far as it was interested in eastern Europe at all, was interested in keeping it backward, as a source of cheap food and cheap labour.

Since 1945, it has been the policy of the British and American governments to oppose this revolution at every stage, and to support the opposition to it, in whatever form it has arisen, with the object of fighting Soviet influence in this region. Behind this policy there lies no constructive idea. Its aim is simply to restore the peace settlement of 1919. Had the Western powers been able to influence the course of events, they would have put back into power the same kind of governments which existed before, and whose failure led to Fascism. In every respect, political, national and economic, that settlement had been a failure: neither national self-determination nor constitutional government brought peace or freedom to this part of Europe. Nor had the Western powers ever attempted to preserve the settlement that they had made.

That was why it was impossible, in 1945, to make peace again in terms of 1919. During the war, the Western powers had evolved no new policy for eastern Europe: they supported the émigré governments in London, at best, liberal politicians of the old style, at worst, near-Fascists. "Some form of federation", such as the Beneš scheme for Czech-Polish hegemony, was the furthest thought could reach.

If the West in 1945 had learnt nothing from the results of the first peace settlement, the Soviet Union and the Communist parties of eastern Europe had learnt a great deal. Their conception of the future was clear, and so also was their grasp of the strategy of gaining power. In conformity with that conception, they have carried through a revolution by gradual stages which is transforming the political and economic life of the region, and which has now reached a critical point.

The question which needs to be answered is not primarily what this revolution means in terms of power politics, but what it means to the peoples of eastern Europe. Does the new conception meet their needs better than the first peace settlement?

INTRODUCTION

Can it reconcile the national conflicts? Will the development plans succeed? What will it ultimately mean, in economic terms, for western Europe?

It is the object of this book to suggest answers to these questions, even if, in the nature of the fast-changing situation, there is no final answer possible to all of them.

LIBERATION AND THE NATIONAL FRONTS

BEFORE 1945, however much the peoples hated their rulers and their pro-German policy, there could have been no revolution in eastern Europe. Neither the peasants nor the industrial workers had any political power, the peasants because they were divided into 'haves' and 'have nots', with no common interest, the workers because as a class they were not large enough, and because their leadership was divided between illegal communists and illegal or ineffective socialists. The opposition parties hated each other more than they hated the dictatorships.

But the war created a new kind of revolutionary situation. It ranged the dictatorial regimes, the upper classes, the higher officers, the extreme chauvinists, on the one side, and the mass of the people on the other. It was from the gradual crystallisation of resistance movements against Nazi domination, and against the collaborators, that the revolution received its first impetus. As the Red Army advanced in 1944-45, the existing Fascist governments were overthrown, and their place was taken by National Front governments, representing the Communist, Socialist, Peasant, and Liberal Parties.

These governments were the outcome of the resistance movements in each country, and of bargains made between the Great Powers in the course of the war. They arose from the political struggle against Fascism, both in the form of German occupation and in the form of internal collaboration. Inevitably, the new governments depended directly on Soviet military power, for without a Russian victory they could never have overthrown the existing governments. No resistance movement could do more than sabotage communications or production; at the very most, they could hold German troops

REVOLUTION IN EASTERN EUROPE

in occupation, as the Yugoslav partisans had done. Each of these governments, except the Bulgarian, came to its capital with the Soviet Army, or after it; the Bulgarian Fatherland Front led a popular rising on September 9th, 1944, and took power in Sofia at the moment when the Russians reached Varna; the Yugoslav partisans came to Belgrade on October 20th, 1944; the Polish Provisional Government entered Warsaw on February 1st, 1945, after its liberation by the Polish Forces and the Red Army on January 17th; the Czechoslovak Provisional Government came to Prague on May 14th, 1945, after the liberation by the Red Army on the day after VE; and the Hungarian Government arrived in Budapest on April 20th, 1945, two months after the city had capitulated after the seven weeks' siege.

The new governments included all elements in their countries which had been in opposition to Nazi domination. In 1945, what the peoples of eastern Europe wanted was to end the Nazi occupation, and overthrow the pro-Nazi governments. Resistance at that stage in the war was both national and revolutionary. There were those who hated the Germans as Germans, and those who hated them as Fascists, and hated the collaborators among their own countrymen as much or more than the Germans. Some looked for inspiration to the past, to the old struggle for liberation from the Austrians or the Turks, the dream of national independence; others looked to the future, the revolution. The strength of the resistance in each country depended on how far these two elements could be welded together into one movement.

In the three Allied countries, Poland, Czechoslovakia and Yugoslavia, the national element was always strong, and up to 1941, predominant. Up to that time, the resistance movement in these three countries looked for leadership to the émigré governments in Britain. The Czech Government under President Beneš represented the chief political parties in the old republic; it was not as a whole anti-Soviet, though it did not include the Communist Party. The Polish Government was strongly anti-Soviet: it represented the former semi-Fascist

LIBERATION AND THE NATIONAL FRONTS

military dictatorship, though it was later broadened to include some democratic politicians. The Yugoslav Government represented the leaders of the national revolt in 1941 against the pro-Nazi government, the older generation of politicians, and it was perpetually rent by the Serb-Croat conflict. All these governments were no more than symbols of national survival. In London they continued with morbid intensity to pursue the political conflicts of the past.

In the Axis satellites, particularly Hungary, there could be little resistance on national lines, for their governments were allied with the Axis in order to get satisfaction for territorial claims, and had in fact gained large accessions of territory during the war.¹ In Hungary, any resistance movement would have to be purely revolutionary, and could offer no prospect of territorial gains. In Bulgaria also there was no prospect of national aggrandisement, though nationalism in the sense of Slav brotherhood was a powerful element in opposition to the pro-German dictatorship.

Even in the Allied countries, there were extreme nationalist elements which collaborated with the Axis; the Slovak Catholics, who supported Tito's puppet state: the Croat separatists who supported Pavelić, the pan-Serbs behind Nedić. Mihailović, the Minister of War in the Yugoslav Government in London and at first a resistance leader, was later led by his pan-Serb views into collaboration with Nedić and the Germans.

National feelings were not therefore a unifying factor in eastern Europe as a whole. They worked as much in Hitler's favour as against him. On a purely national basis there could have been no powerful or united resistance movement in these countries. On an anti-Fascist basis there could be, and when Russia came into the war, it was this element which began to predominate. From 1943 onwards, the leadership of the resistance movements passed to the Communists. Up to then, the resistance movements had been purely negative in character,

¹ Hungary gained part of Transylvania from Rumania, a strip of Slovakia, Ruthenia, and pieces of Yugoslavia. Bulgaria gained Eastern Thrace which gave the long-desired access to the Aegean, and occupied Yugoslav Macedonia.

against the Germans, simply with the idea of restoring national independence, and with no conception of the future form of government.

Now the Communist leaders put two key economic reforms in the forefront of their programme—the nationalisation of industry, and land reform. These were strong points, because in every country it was the wealthy who had collaborated—the handful of capitalists and big landowners, and these reforms would destroy their political power. On this basis, the resistance could fight the collaborating forces as well as the Germans. The strength of this programme was that it was not Communist: the old type of sheer communist internationalism would not have worked, any more than the old type of sheer nationalism would have worked. But the new programme united all the opposition parties: the Socialists supported nationalisation, the Peasant Parties supported land reform, main planks in their own political programmes. It was a constructive conception, because it provided the basis for a new political alignment of all the resistance forces, and all the political parties of the opposition, in a broad popular movement both against the Germans and against the collaborators.

The problem was to unite the two elements, the national and the revolutionary, into a popular front, to take power after the defeat of the Nazis, on the basis of this programme. This was achieved with different degrees of success in each country.

Yugoslavia

Only in Yugoslavia were the two elements of the resistance completely fused. When the decisive moment came in 1941, and the Prime Minister went to Vienna to sign the Tripartite Pact to bring Yugoslavia into the war on the side of the Axis, the Yugoslav people, after twenty years of internal strife, suddenly united, and on March 27th rose and threw out their rulers. The Army was unprepared and quickly defeated by the Germans. But the spirit of resistance was not. The lesson of the German occupation, and the partition of the country into

LIBERATION AND THE NATIONAL FRONTS

three zones of occupation and two puppet states, was that extreme Croat separatism and extreme pan-Serbism meant the destruction of national independence. The occupation revealed a sharp division between the former ruling groups, the Belgrade bourgeoisie, the Catholic hierarchy in Croatia, the pan-Serb military set, and the people. The Partisan movement, as it welded together a number of independent resistance groups under Communist leadership, was therefore both nationalist and revolutionary from the start. It represented a new national conception, popular rather than middle class, though it had some middle class support, against the old racial animosities which had divided the state for so long. Its main strength at first was in Slovenia, Bosnia, Croatia, and Montenegro, which had always hated the centralised dictatorship of Belgrade. Later, when it became clear that Mihailović, who operated mainly in Serbia, was collaborating with Nedić and the Germans, the Serb resistance came over to the Partisans. The Partisan movement achieved the sublimation of the internal conflicts in a new Yugoslav nationalism. A new federal constitution, which set up six federal republics with local autonomy, provided the machinery for the new conception. An equally essential part of the Partisan programme was the expropriation of collaborators, foreign capitalists, and big landowners, chiefly the Catholic Church. The leadership was Communist, but the only test of loyalty was that of having 'fought in the woods', or of helping those who fought. The movement included representatives of the old political parties, Serb Agrarians and the like, but they held their positions by personal prestige; the political parties had really withered away.¹ What mattered was the Partisan Army: by 1944 the Army numbered 500,000, and 800,000 at the end of the war. It was incomparably the largest and most effective resistance in Europe.

¹ British pressure at one point secured an undertaking by Tito to admit some members of the Šubašić Government in London into the Liberation Front Government. At Yalta, the implementation of this agreement was made a condition of recognition of the government. But it was never implemented.

REVOLUTION IN EASTERN EUROPE

The Yugoslav situation differed from the others, in that the resistance did of itself produce something quite new, a union of fighting peasants and workers, primitive, vital, heroic, childish and savage. In 1945, Yugoslavia alone of these countries seemed to be breathing new air.

Poland

Poland presented an entirely contrasting picture. There was never a real alliance of the national and revolutionary resistance, and the Government of National Unity which united them in 1945 was constituted as a patched-up compromise between the Great Powers. A deep cleavage divided the two movements, and lasted throughout the war. One movement, in the first stage of the war the only resistance, was the nationalist Home Army, looking to the London government and General Anders for leadership: the other, the revolutionary movement, was the People's Army, led by the Poles in Moscow, and gaining in strength as the Red Army advanced. The first was purely national, and in its own view, anti-Soviet as well as anti-Nazi. To the Communist leaders of the revolutionary movement that meant being Fascist: and here they were right: Polish nationalism in the time of Pilsudski and his successors had taken a Fascist form. To the nationalist leaders, the Soviet was just as much an aggressor on Polish territory as the Germans, as in 1939 it appeared to have been. There was little possibility of uniting the two movements against a common internal enemy on the basis of the economic reforms, simply because in Poland there were no collaborators.

On the day that the Red Army and the Polish Forces crossed the Bug and entered Poland, the leadership of the resistance movement was taken by the Communist Party, in the Polish Committee of National Liberation, formed in Lublin on July 21st, 1944. The Lublin Committee included the representatives of all other Polish political parties, Socialists, Peasants, and Democrats, but it did not include any representatives of the London Government. The formation of the National Committee meant a bid for the leadership of the

LIBERATION AND THE NATIONAL FRONTS

whole resistance movement, and its programme, issued on July 22nd, was the ground plan for the new Poland.

This programme, known as the July Manifesto, contained five points. These were:

1. The condemnation of the London Government as illegal; rejection of the Fascist constitution of 1935 proposed by the London Government, in favour of the democratic constitution of 1921.
2. Revision of the frontiers on national lines, leaving Polish territory to Poland; Ukrainian, White Russian and Lithuanian territories to Russia. The territories east of the Bug, following the Curzon Line, would become part of the Soviet Union.
3. An economic programme, aiming at the raising of the living standard, to include agrarian reform and the nationalisation of the main industries.
4. Equality for Jews.
5. A summons to all Poles to join the fight for Pomerania, Upper Silesia and East Prussia, to extend the Polish frontiers in the West.

The immediate result of the formation of the Lublin Committee and its programme was the Warsaw Rising of August 1st, 1944. General Bor-Komorowski, the Commander of the Home Army (the *Armia Krajowa*), gave the command to rise, without consulting the Commander of the Polish Forces and the Red Army, which was then approaching Warsaw, and without notifying the Supreme Command of the Allied Forces.¹ His object was to regain the leadership of the resistance movement for the London Government. But the rising which began as a political move became a spontaneous rising of the whole city, including both the *Armia Ludowa* (the People's Army, supporting the Lublin Committee) as well as the *Armia*

¹Mikolajczyk, in *The Pattern of Soviet Domination*, Sampson Low, London, 1948, p. 76, claims that the command to rise was given in a Soviet broadcast. But the broadcast quoted in support of this view is quite clearly only a general call, without reference to a specific date, such as were made all too frequently from London and Moscow. Mikolajczyk's explanation is *post facto*: in Warsaw the responsibility is generally believed to lie with Bor-Komorowski.

REVOLUTION IN EASTERN EUROPE

Krajowa. For two months Warsaw resisted, waiting for relief from the advancing Red Army. Attempts by the Americans and British to drop supplies into the city were a failure. Bitter recriminations broke out between London and Moscow, while Warsaw continued to resist. Polish troops which gained the right bank of the Vistula at the end of September were driven back. Though the Germans gained command of the city on August 10th, when the suburb of Wola fell, fighting continued till October 2nd. It was the most heroic act of resistance in occupied Europe, and its result was the most terrible retaliation. After the capitulation, the Germans forcibly evacuated the whole population and systematically destroyed the city, house by house and street by street.

While Warsaw was being destroyed, the representatives of the London Polish Government and the Lublin Committee were negotiating about the form of the future Polish State. Mikolajczyk, then Prime Minister of the Polish Government in London, twice went to Moscow, in August and October, 1944. No agreement could be reached, chiefly because the London Government still insisted that the new State should be based on the constitution of 1935, while the Lublin Poles stood for the constitution of 1921.

In the meantime, the Red Army and the Polish forces were advancing. On January 17th, they entered the empty and ruined capital, followed on February 1st by the Lublin Committee, which now became the Provisional Government. Poland was in a state of utter chaos. Six million Polish lives had been lost. Silesia and Pomerania were being conquered by the Red Army and the Polish forces. Millions of Poles were pouring back from east and west into Poland. The destruction in industry, communications, agriculture had no parallel in Europe. The political division continued. The Home Army was disbanded, but part of it went underground into two organisations, the W.I.N. (Freedom and Independence) and the Fascist N.S.Z. (National Armed Forces) and continued in sporadic fighting which kept the country on the brink of civil war.

The root of the division lay in the conflict between London

LIBERATION AND THE NATIONAL FRONTS

and Moscow. Inside Poland, the Lublin programme was generally accepted. The gain of the western territories was the meaning of victory and united all Poles. Even friendship with the Soviet Union was accepted, for the ordinary Pole knew, as the London Government did not, that it was the Red Army which had liberated Poland, and that without it Poland would be extinct. Yet he feared Russian domination, and while agreeing with the programme of the Provisional Government, feared that it was a Russian puppet. The Polish Government in London, through the underground, could play upon this feeling. But the London Government could not now expect to come to power, except by consent of the Provisional Government in Warsaw, enforced by agreement between the Great Powers.

At Yalta, in February 1945, it was recognised that the arrival of the Provisional Government in Warsaw had created a new situation. As a result of British and American pressure, the three Great Powers agreed to set up a Commission consisting of Molotov, Harriman, and Clark Kerr, to hold consultations in Moscow with the Provisional Government and with Polish political leaders from Poland and abroad in order to reorganise the government 'on a broader democratic basis'. This Commission started its work in June. The London Government still refused to negotiate, but Mikolajczyk and the more moderate Poles—'always one river too late'—who had resigned from it in November, were now at last prepared to accept the 1921 constitution, and went to Moscow. Principally because the Soviet Government and the Polish Provisional Government wanted to secure British and American recognition for Poland at the forthcoming San Francisco Conference, they agreed to offer Mikolajczyk, Stanczyk, and four other London Poles posts in the Government. Britain and America withdrew their recognition from the Polish Government in London. Thus at last on June 28th, 1945, the Provisional Government of National Unity could be constituted. On both sides it was an unwillingly accepted compromise, and in no sense a genuine union.

REVOLUTION IN EASTERN EUROPE

Czechoslovakia

No such problem arose in Czechoslovakia, principally because President Beneš was ready to compromise as early as 1943. The resistance movement in Czechoslovakia had little influence on the formation of the post-war government, for there could not be a fighting resistance movement, as in Poland and Yugoslavia. There were isolated acts of great heroism—the students' rising of August 1944, the assassination of Heydrich, the Slovak rising of August 1944: they met with deadly retaliation and ended apparently in failure. The real resistance was sabotage, the nation-wide underground. Apart from some leading Agrarians, there were few Czech collaborators: but in Slovakia the Slovak People's Party, the anti-Czech separatist Catholic reaction, supported the Fascist Tiso Government. There was no new upsurging of national unity, and no break with the past as in Yugoslavia: but there was no bitter conflict as in Poland.

The decisive act in forming the post-war government was the signature of the twenty-year Treaty of Alliance between the Czechoslovak Government in London and the Soviet Union in 1943. This secured the support of the Communists for President Beneš and brought the national and revolutionary elements into a working alliance. The terms of that alliance were laid down in the Košice programme of April 1944, when the new government entered Slovakia. It represented an agreement between five parties of the former republic, Communists, Socialists, Catholics, National Socialists, and the Slovak National Committee. The two collaborationist parties in the old republic, the Agrarians and the Slovak People's Party, were banned. The main points of the Košice programme, which later became the subject of violent controversy, were as follows:

1. The relation between Czechs and Slovaks would be that of equality between two nations in a single State.
2. The new Czechoslovak Republic would be a Slav State. The German and Hungarian minorities would be expelled, except for those who before Munich had actively

LIBERATION AND THE NATIONAL FRONTS

taken part in the anti-Fascist struggle, whose rights of citizenship would be safeguarded.

3. All property, including industrial property and land, belonging to German and Hungarian nationals, and to Czech and Slovak traitors and collaborators, would be confiscated and taken into State ownership. The land confiscated would form a national land fund, to be divided by a new land reform law among Czech and Slovak citizens, with priority for resistance fighters.
4. The new government would be formed from all loyal political parties. The existence of the Agrarian Party, the People's Party in Slovakia, and minor Fascist parties, would be prohibited. Individual collaborators would be tried and punished.
5. The government would undertake a broad educational and social programme.
6. The foreign policy of Czechoslovakia would be based on close alliance with the Soviet Union, strengthened by closer economic and intellectual links between the two States.

Thus the programme was extremely nationalist, and not at all revolutionary. The provisions about nationalisation were limited to the expropriation of enemy and collaborators' property. Heavy industry, banking and insurance would be brought under public control, but otherwise private enterprise was to be encouraged. The land reform would affect only the land property of the national minorities, and the property of Czech and Slovak collaborators.

Like the governments of the First Republic, the first government of the Third Republic was a coalition of parties. Though it was a far more left-wing government than any pre-war coalition, because the Communists, always in opposition before, were now the strongest party, it was more a resuscitation of the past than any of the other new governments. There was no real conception of a new Czechoslovakia: the old had died too hard.

Bulgaria

The old Bulgaria, or at any rate the rule of Boris, ended with a bang, as most regimes in Bulgaria have ended. For the King's assassination in Sofia on August 28th, 1943, the resistance movement has never claimed the credit, although it came as the culmination of a series of assassinations of leading Bulgarian Nazis and was obviously well planned. Hatred of the royal dictatorship and of German domination was the cementing force of the resistance. The rule of King Boris had been extraordinarily cruel. It had been established in 1923 by the murder of the popular Agrarian leader Stambulsky, and the massacre of thousands of his followers: then it had turned on the Communists with equal ferocity. In the ten years from 1923 to 1934 when the King ruled Bulgaria through the Macedonian terrorists, 30,000 people are said to have 'disappeared'. On the basis of opposition to the King's rule, the Fatherland Front was formed in 1943, including the two big popular parties, the Agrarians and Communists, the Social Democrats, and also the Zveno Party, a group of high army officers headed by General Kimon Georgiev and Colonel Velchev, who had made an anti-Boris *coup d'état* in 1934. It represented a real union of the national and revolutionary forces. Although, through the alliance with Hitler, Bulgaria had gained Eastern Thrace and had occupied Yugoslav Macedonia, the territorial gains did not wipe out the dictatorship's twenty years of brutal repression. There had always been two currents of Bulgarian nationalism, the chauvinist, anti-Slav pro-German policy of the court, and the deeper popular tradition of Slav brotherhood going back to Bulgaria's liberation from Turkish rule by Russia in 1878. Pro-Russian feeling was too strong to make Bulgaria a reliable Axis satellite, and it never declared war on Russia, or sent troops to the eastern front. With the advance of the Russian Army, the tide of pro-Russian feeling rose, and on September 9th, 1944, the Fatherland Front led a popular rising, threw out the wavering Muraviev Government, and took over, under Georgiev as Prime Minister.

LIBERATION AND THE NATIONAL FRONTS

The Front was an alliance of separate parties, with wide popular support among the peasants for the Agrarians, and among the industrial workers for the Communists. It was not, like the Liberation Front in Yugoslavia, a fighting movement: it had behind it a Communist-led guerilla force, the men 'in the hills', but this was not comparable in size or popular support to the Yugoslav Partisans. The Fatherland Front Government signed an armistice on October 28th, 1944, and thereafter the Germans were driven out of Bulgaria, and the Bulgarian Army fought well in Yugoslavia and Hungary at the side of the Red Army.

Hungary

In Hungary, there could be no alliance between the national and revolutionary resistance, for on national lines there was no resistance. Hungary, it must be remembered, had been a Fascist country for twenty-five years, and Fascism had deep roots in the class system: its nationalism was identified with the rule of its powerful upper class, and with the Axis alliance. During the war, Hungary was, in Hitler's own words, his 'best ally'. By 1944, sixteen Hungarian divisions were fighting on the Nazi side, and Hungary's agriculture and industry supplied the Reich with valuable economic aid. As the price of this support, Hungary had gained large accessions of territory from its neighbours. Any government which came to power after the defeat of Fascism would necessarily have to renounce these gains, and break with Hungarian nationalism in its traditional form. Hence there was no basis for resistance as a national movement. The regime was strong enough to suppress resistance of any sort. There were sporadic attempts, such as that of Bajcsy-Zsilinszky, executed by the Gestapo in December 1944: they never grew into a national movement.

In the last year of the war, therefore, when the power of the Axis was breaking, the political struggle in Hungary was waged not between government and resistance, but between different brands of Fascism, the dynamic and fiercely nationalist Arrow Cross brand, and the reactionary pro-German

REVOLUTION IN EASTERN EUROPE

Fascism of Horthy. As the war turned against the Axis, the Horthy Government began to put out peace feelers towards the West: as a result, on March 19th, 1944, the German Army occupied the country. On October 15th, Horthy asked the Soviet Government for an armistice; the Germans then used the Arrow Cross to take over under Szálasi, and put in a German governor. After the Red Army had entered Hungary, in December 1945, a Provisional Government was formed at Debrecen, representing the four parties in opposition, Communists, Social Democrats, Smallholders, and National Peasants. In January 1945, this government asked Moscow for an armistice, and on the 20th the armistice was signed. The terms were harsh: surrender of the territories gained since 1938, reparations to the value of 300 million dollars, and eight infantry divisions to fight against the Germans.

The government was weak and unpopular, as any government which represents capitulation must be. Because Hungary had never had a free political system, none of its constituent parties had ever had wide support. The Smallholders Party was not a genuine peasant party, but a small parliamentary liberal opposition representing the gentry and larger peasants against the great landowners. The Social Democrats had atrophied in the façade of democracy, paralysed by their old agreement with Bethlen to renounce all political activity among the peasants, as the price of being allowed to exist as a parliamentary opposition. The National Peasants were a small new party, springing from the group of intellectual 'village explorers' who in the years before the war had succeeded in awakening public opinion on the land question. Their expert knowledge now shaped the principles of the new land reform. The Communist Party in Hungary was small, for it had been illegal since 1919; its strong point was its leader, the greatest man that the revolution has produced, Mátyás Rákosi. He had been in prison for sixteen years up to 1943, when he had been exchanged with Moscow in return for a German general.

Weak as it was in popular support, the new government had

the big card of land reform to play. The land reform law was issued in March, while the government was still at Debrecen. After the fall of Budapest, on February 13th, 1945, the Russian Army remained in occupation, and not until April 20th did the new government move to Budapest. Then it had to bear the onus of the capitulation and of the harsh armistice terms. But it had given the land to the 'three million beggars' of the farm proletariat. This was a death blow to the old Hungary, and the rule of the magnates. It was by far the greatest and most dramatic change in East Europe at the time. Nowhere else was the old order overthrown so completely, and nowhere else was the opposition so strong and so embittered.

By the time of the Potsdam Conference, therefore, there were governments in power in every East European country which could rightly claim to represent the people, and which—with the exception of the Hungarian—had achieved some kind of alliance between the national and revolutionary elements. None of these governments, except the Czechoslovak, were as yet recognised by Britain and America. The recognition of the Polish Government was to depend on the holding of free elections, as agreed at Potsdam, of the Yugoslav Government on the implementation of the Tito-Šubašić agreement as agreed at Yalta, and the recognition of the Hungarian and Bulgarian Governments on the conclusion of the peace treaties.

CHAPTER II

PEOPLE'S DEMOCRACY

THE course of the revolution was strategically planned, with the object of dealing with each enemy in turn. In the first stage, the aim was to get rid of the Fascists and collaborators, by uniting all the non-Fascist parties, Nationalist, Peasant, and Socialist, in the National Fronts under Communist leadership. In the second stage, the aim was to defeat the 'bourgeois opposition' represented by the right wing parties in the government, with the support of the Socialists and other left-wing groups. Finally, in the third stage, with Communists and Socialists merged into a united workers' party, the aim was to defeat the opposition of the Church and the kulaks. In its broad outline, the strategy was modelled on that of the Russian revolution.

But this revolution was taking place in very different conditions from the Russian. It had the power of the Red Army behind it. There was no need for a violent upheaval, or the open use of force, because the threat of Soviet intervention was always in the background. But because the revolution was taking place in countries where liberal nationalism had once been a progressive force, and where national feeling was intense, direct Soviet intervention had to be avoided, except as a possible last resort. The strategy of revolution had to be adapted to the special conditions of each country. In this adaptation, much had obviously been learnt from the experience of the Communist regime in Hungary in 1919. At that time the revolution had failed, chiefly because the Western powers had supported the counter-revolution. But it had failed also because the Communist government had had no strategy; no alliance with the Socialists, no programme for the peasants, and no economic policy, except nationalisation of land and industry in one chaotic stroke. It had been too international.

PEOPLE'S DEMOCRACY

This time, all these mistakes must be avoided; the revolution must begin with an alliance with other political parties; it must have a land reform programme for the peasants, and it must begin in a national framework.

With the coming to power of the new governments in 1945, the first stage of the revolution ended, and the second stage began. In this second stage, the Communists proceeded to carry through the two key points in the programme of the National Fronts, the nationalisation of industry and the land reform. In this policy they were supported by the main body of the Socialists, who in the course of the struggle split into a right wing of the old leaders, and a left wing under new leaders siding with the Communists. Socialist support was decisive in Poland, useful in Hungary and Czechoslovakia, in the Balkans too small to count. The Communists were also supported by the left wing Peasant Parties, and break-away groups from the main Peasant Party in opposition; these did not play a decisive part, though they provided useful voting power at the elections.

Against them the opposition rallied behind the right wing government parties, the Peasant Party in Poland, the Smallholders in Hungary, the Agrarians in Bulgaria, and the National Socialists in Czechoslovakia. In the first stage, these parties had represented the liberal or national element, in opposition to the dictatorships. When they joined the National Fronts, they had accepted the nationalisation of industry as a change in the national interest, directed against German or foreign capital, not as a class measure; Beneš, for example, regarded it simply as a way of avoiding unscrambling German industrial property. But when *general* nationalisation was proposed, the opposition solidified on class lines behind the right wing parties, which now became the focus for all the anti-revolutionary interests, because the former Fascist parties were prohibited. The opposition therefore included former Fascists, dispossessed landowners and capitalists, the Catholic (not the Protestant) Church, the wealthier peasants, the insecure middle class, combined in different strength in each country.

REVOLUTION IN EASTERN EUROPE

All these various elements, often hostile to each other before, now coalesced under the banner of Western support, and in the hope of Western intervention.

The internal political struggle was a reflection of the wider struggle for power between Russia and the West. Free elections in Poland was a condition laid down in the Potsdam agreement. The recognition of the Hungarian, Bulgarian, and Rumanian Governments depended on Western approval. To avoid a pretext for Western intervention, it was therefore essential to carry out the economic changes through the mechanism of parliamentary democracy. To this policy the Western Powers could retaliate only by repeated protests against the conduct of the elections, and against arrests and treason trials. In the Western press the leaders of the opposition were represented as heroes, and freedom shrieked every time one fled. The fact that the struggle turned on a real internal political issue—the nationalisation of industry—was glossed over. As part of the campaign of the State Department to secure Western influence, it was necessary for the Western Powers to appear, however late in the day, as champions of democracy. Since the British Government was a Labour Government, 'our man' had to be represented as the leader of the democratic forces, and not as the leader of a miscellaneous party of former Fascists and Conservatives, opposing a socialist policy. The Western defence of democracy was false and futile, for there was the example of Greece to show what it meant. On the Communist side, the claim that their regimes were democratic were equally false, since there was no intention of maintaining the forms of parliamentary democracy or allowing other parties a share in political power, except in the period of transition. But the Communists were right in claiming that they stood for the people, as against the reaction supported by the West.

The struggle between the right and left came to a head in a series of political crises in 1947-48, which ended in the break-up of the National Front Governments, and the elimination of the opposition as an organised political party. In each

PEOPLE'S DEMOCRACY

country the crisis followed the same pattern; but there were important differences in timing and background. Methods differed, in accordance with the political tradition of each country.

Yugoslavia

Only one country, Yugoslavia, avoided altogether any open struggle on party lines. Neither on land reform, nor on the question of industrial nationalisation, was there ever any conflict between different political parties, because the National Liberation Front had swallowed them up so completely that there was no possibility of right wing opposition within the Front, or of party opposition against it in the Skupshtina. The decision to nationalise industry was taken by the Presidium of the Front, i.e. Tito's Government, on November 21st, 1944, a month after Belgrade had been liberated by the Russian Army, and while only half the country was under partisan rule; the decision was ratified by the Constituent Assembly a year later, after the 1945 elections. The decree related only to the property of enemy nationals, war criminals, and leading collaborators. This in fact meant that eighty per cent. of industry, measured by the number of workers employed, came into state ownership. All the larger enterprises had been foreign owned; the Zenica steel plant (German), the Trepča lead and zinc mines (formerly British), the Bor copper mines (formerly French), the Allatini chrome mines (British), the Schicht concern (Unilever), the Bata leather works (Czech), and many cotton mills (German). In so far as they were not German owned already, these big firms had been taken over by the Germans in the course of the war, and were now expropriated as German property. So Yugoslavia's 'bourgeois opposition' was largely international, and at this stage it was Yugoslavia chiefly that the Western press attacked.

Internally, the bourgeois opposition could never mobilise as a political party. There was no opposition in Parliament. Up till the elections in November 1945, Milan Grol, leader of the Serb Democrats, and a member of the London Government,

had intended to stand as the leader of a parliamentary opposition. But, at the last moment, wisely enough, he decided not to stand. Even if he had done so, and even if the Government had not been able to use its control of the police and propaganda against his followers, it seems unlikely that he would have got much support. The Belgrade bourgeoisie which he represented were deeply tainted with collaboration, and, owing to the national antagonisms in the old Yugoslavia, they were much disliked in the country as a whole. So at the elections in 1945, the elector had the choice of voting for the Government or for voting for nothing; he could put a ball into the box marked *No*: only ten per cent. did this. Thereafter, the Belgrade middle class could only pin its faith to the hope of Western support for Mihailović, then in hiding in Serbia. After his capture in 1945 and trial and execution as a traitor in June 1946, this hope ended.

The only serious opposition of a 'bourgeois' kind came from the Serb Agrarian leader, Dragoljub Jovanović. It was liquidated by his trial in 1947, at which Jovanović was accused of espionage in the interest of Britain and sentenced to nine years' imprisonment. After this, there was no outward sign of dissension within the Government, until the arrest of Hebrang and Žujović, the pro-Cominform Communists, in 1948.

Bulgaria

By contrast with Yugoslavia, in Bulgaria the split in the Fatherland Front came quickly. The government which had taken power after the rising of September 9th 1944 broke up within a year of its foundation. The main cause was the antagonism between East and West, rather than internal opposition to the economic reforms. For Bulgaria, like Yugoslavia, had really no powerful upper class or large middle class; eighty per cent. agricultural, it was a country of peasants and a few hundred thousand industrial workers on the one hand, the bureaucracy and the army on the other.

There ought therefore to have been a strong basis for the alliance between Communists and Agrarians. Both, in the past

PEOPLE'S DEMOCRACY

had been popular parties and both had suffered under the dictatorship. On paper their programmes did not differ. The old Agrarian Party had been extremely radical, far more so than other peasant parties, and never anti-Soviet; to the West in its heyday it stood for pure Bolshevism.

But in spite of common experience, and similar programmes, the alliance was not maintained, because Communists and Agrarians now inevitably became counters in the east-west conflict, and Bulgaria's internal political struggle mirrored the relation of the Great Powers, as it had so often done in the past. Dr.¹ G. M. Dimitrov, the Agrarian leader, had spent the war in the Middle East advising the British, while Georgi Dimitrov, the Communist leader, had spent it in Moscow.

For a short period up to the end of 1944 before either Dimitrov returned, the Fatherland Front worked together in happy unison, trying and condemning the many war criminals. The split began as soon as the Agrarian leader, Dr. G. M. Dimitrov, returned to Bulgaria from the Middle East at the end of 1944, to make a determined bid to secure western influence in Bulgaria against the Communists, by holding out the prospect of western intervention.² He did not enter the government, but remained outside as the Secretary of the Agrarian Party, with the object of breaking up the Front when the time was ripe. Immediately after the European war ended, Yugov, the Communist Minister of the Interior, ordered Dimitrov to be placed under house arrest, from which he escaped to the American Legation and later left for the United States with the American Minister. Petkov, the leader of the Agrarian Party in the Fatherland Front, then resigned from the government, and went into opposition, taking with him the majority of the Agrarians. The Social Democrats, a small party led by Lulchev, had already left the government. By

¹ Usually referred to as Dr., to distinguish him from the Communist leader, Georgi M. Dimitrov.

² The events in Greece made this seem likely. In 1944 all the anti-Soviet elements in the Balkan capitals believed that America and Britain would invade the Balkans after the defeat of Germany.

REVOLUTION IN EASTERN EUROPE

the summer of 1945, therefore, the original Front had broken up and a large section of it was in opposition. The responsibility for the break at this stage certainly lay with the Agrarian leaders.

The Communist leader, Georgi Dimitrov, then returned from Moscow. Elections were held in November 1945, which the Petkov-Lulchev opposition boycotted, and the result was a parliament in which every member belonged to the Fatherland Front. At the Foreign Ministers' Conference in Moscow in December 1945, the Western Powers attempted to strengthen Petkov's position by demanding the inclusion of two opposition leaders in the government, as a condition of British and American recognition. But negotiations between the Premier Georgiev and Petkov led to no result, because Petkov stiffened his demands beyond the terms of the Moscow decision and insisted on control of the Ministry of the Interior. Negotiations were repeatedly begun and broken off through 1946, accompanied by exchanges of notes between the Great Powers. At the elections in October 1946, the Petkov-Lulchev opposition decided to stand as a united bloc against the Fatherland Front, but were defeated, the government gaining a sixty-six per cent. majority. The opposition protested against the conduct of the elections, as also did the British and American Governments.

After the elections, Georgi Dimitrov became Premier, with a government composed of nine Communists, five Agrarians, two Socialists, and two Zveno Party ministers. Stormy scenes between government and opposition marked every session of the Sobranie, and no legislation was possible. The law for the nationalisation of industry could not be passed until December 1947, after the liquidation of the opposition. Though Dimitrov, in January 1947, was still talking of possible co-operation, Petkov continued his determined opposition with the object of turning out the Communists and forming an Agrarian Government, after the ratification of the Peace Treaty and the end of the Russian occupation.

After the Peace Treaty had been signed, in February 1947,

PEOPLE'S DEMOCRACY

but not yet ratified, the government decided that it must take strong measures to liquidate the opposition, before the Russian occupation ended. Early in June, Petkov and nine other leading Agrarians were arrested, and on August 6th the trial of Petkov began, on the charge of having supported an underground officers' organisation, the Military League, which had conspired to overthrow the regime. The evidence of Petkov's connection with this organisation was slight. At the trial, Petkov himself strongly protested his innocence. He received the death sentence, and on September 23rd was executed. The officers who were involved in the conspiracy, and who pleaded guilty, received only long sentences of imprisonment. The purpose of the trial was to eliminate the opposition and also western influence. During and after the trial, the British and American Governments had sent repeated protests, the British sending eleven notes in all.¹ It was this intervention, said Dimitrov, in a speech in January 1948, that had led to Petkov's execution.

The execution of Petkov was followed by a number of other trials of opposition deputies. Lulchev, the Social Democrat leader, received a life sentence in November, and eight others were condemned to sentences ranging from ten years to life imprisonment. No other East European country dealt with the opposition so violently, and no other leader of the bourgeois opposition has been executed. But the struggle for power in Bulgaria is traditionally violent. In the past, it must be remembered, Petkov and the opposition *en masse* would have been assassinated. The treason trial is an advance in that it is a rationalisation, an attempt to make punishment the expression of the community's denunciation of the crime.

Poland

In Poland, the struggle between government and opposition was waged in an atmosphere of great tension, culminating in the elections of January 1947. It turned on the question of the eastern or western orientation of Poland, more than on

¹ In spite of these protests, both governments ratified the Bulgarian Peace Treaty, two days after the execution.

economic reforms. These had already been carried out before the elections took place, the land reform under a decision of the National Committee in September 1944, and the nationalisation of industry, affecting all firms with more than fifty workers, by the law of January 3rd, 1946. To neither was there strong opposition. The landowners, though socially influential, were not such a powerful or wealthy class as in Hungary, and with one or two exceptions among the big magnates, the gentry accepted the change as inevitable; they were survivors and they knew it. Nor did the nationalisation of industry meet with much opposition; many large enterprises had been state-owned before. The Jewish middle class had been exterminated during the German occupation. There was no embattled class of capitalists in Poland in 1945.

The main strength of the opposition in Poland was not the expropriated classes, though they played a part, but Polish nationalism, the fear of Soviet domination. That fear had been allayed by the formation of the Government of National Unity in June 1945, and by the absence of any sign of Soviet interference. But it was kept alive by the underground organisations, the Fascist N.S.Z., and the nationalist W.I.N., the real driving force of the opposition. Through 1945 and 1946 political murders were frequent on both sides.

Towards the end of 1946, Mikolajczyk, then leader of the Peasant Party in the Government, decided to go into open opposition, encouraged by the British and American Embassies to make a bid for victory at the elections. By leaving the Government he divided the Peasant Party into two, a left wing remaining with the Government, while the majority right wing, now known as the Polish People's Party (P.S.L.) went into opposition with him. This right wing retained a good deal of peasant support and at the same time attracted all the anti-Soviet elements, and became the legal cover for the underground organisations. Its unifying idea was Polish nationalism, in the old sense, the romantic reactionary conception which the old Peasant Party twenty years earlier had so strongly opposed.

PEOPLE'S DEMOCRACY

For the electorate in January 1947, the choice lay between this nationalist opposition and the Government, standing as a united bloc, composed of the Communists (the Polish Workers' Party or P.P.R.), the Socialists (the P.P.S.), the left wing Peasant Party, and the Democrats, a prestige group of well-known liberals. The government bloc stood for a three-point programme—friendship with the Soviet Union, the new frontiers, the economic reforms. It was a popular programme, and so obviously in accordance with the needs of the new state that the opposition could make no attack on it in the election campaign. So far as party programmes were concerned, there was no real reason why Mikolajczyk should have gone into opposition, and no reason for the election at all. With their minds, most Poles supported the government programme; with their hearts, Mikolajczyk.

The pre-election atmosphere of ruined and snow-bound Warsaw was intensely dramatic. Both sides accused the other of terrorism, and most of the charges were well founded. In the month of December 1946, thirty-one members of official Electoral Commissions were murdered by the underground organisations, and twenty-eight in the first ten days of January. In ten out of the fifty-two constituencies, the electoral commissions refused to accept the P.S.L. list, so that Mikolajczyk's supporters were disfranchised; these were large rural constituencies where the P.S.L. claimed big majorities, but which the government claimed were dominated by the underground organisation. Throughout the election campaign, Mikolajczyk remained in close contact with the British and American Embassies, and on their advice announced that the elections were unfair before the results were known. The election result was a great majority for the government bloc, amounting to eighty-nine per cent. of the total vote, while the P.S.L. gained only six per cent.

How far the election was 'fair' or 'unfair' is impossible to tell. There was no open sign of pressure on the voters at the polling booths. But the results suggest that there must have been pressure, since Mikolajczyk's support certainly exceeded

REVOLUTION IN EASTERN EUROPE

six per cent. of the total. In reality, of course, Poland had no choice; the elections had to be won, if the country was to exist. The real alternatives were the continuation of the government, or internal chaos. Had Mikolajczyk won the election, as Gomulka pointed out, the immediate result would have been the seizure of power by the underground organisations, the return of the London Government with General Anders as Commander in Chief of the Polish Army in Britain; and eventually Soviet intervention and occupation. There was really no middle way for Poland and Mikolajczyk did not represent it.

The elections marked a turning point, and meant the defeat of the opposition and of Western influence. The government showed itself liberal to its opponents. In February 1947, a general amnesty was proclaimed for the members of the underground movement, if they foreswore further opposition. Some 100,000 came 'out of the woods', many of them into government offices.

In the next two years, the political situation underwent a great change. The government succeeded in mobilising behind itself much of the national feeling which had supported the opposition, and in capturing popular imagination for the conception for a new industrial Poland, with a splendidly planned capital, the rural slums wiped out, the western territories resettled. The Three Year Plan became the new form of Polish patriotism.

In this critical period, the basis for the government's success was the alliance between the Communists and the Socialists. The Communists were the dynamo, the Socialists the driving belt, the Communists providing the brains, the Socialists the organisation in factories. The right wing Socialists in London had of course opposed the alliance with the Communists, but in Poland there were Socialist leaders, chiefly Cyrankiewicz (who survived Oświęcim), who supported it, and who were certainly not Communist puppets, as the Socialists were in Hungary and Czechoslovakia. Of course the alliance was not an alliance of equals, because the Communists had a great

power behind them; but the Socialists were far from passive. Cyrankiewicz is still powerful in the Politburo of the Polish Workers' Party, and in the trade union offices of Wrocław and Katowice 'Pepperówczy' (Communists) and 'Peppersówczy' (Socialists) sit side by side. The two Peasant Parties, one in opposition, one in the government, have counted for nothing since 1947, though the latter still holds ministerial posts; they merged at the end of 1949. As in Hungary and Czechoslovakia, the real opposition is now the Catholic Church, still immensely powerful, and in Kraków more powerful than the government.

The new Poland has arisen miraculously from the ruins; round its economic renaissance hangs the characteristically Polish aura of greatness. What is paradoxical, in a socialist state, is that so much of the old way of life still remains; there is still the hand-kissing, the third person singular, the expensive restaurants.¹ None the less, there is a change in social values, the more impressive for being little publicised; and sometimes one can see that the wheel has really turned—in the pride of a factory committee in its plan target, in the struggling new co-operative of poor Galician peasants on a former Junker estate. Fairly large numbers of workers have risen to become managers in nationalised factories: 8,000 by 1947, of whom 350 were directors. The government itself is a proof of the change, for its members were all either working men or minor officials. For the first time in history, government is not the prerogative of the gentry.

The country remains nationalist through and through. 'Our communists are good Poles, and our reactionaries are good Poles too; they do not run away like the Czechs, but stay and fight in Poland,' is a general sentiment. By 1948, the government had made a brilliant synthesis of revolutionary policy and national feeling, which united the Polish people and carried

¹ 'The difference between the Russian and the Polish revolution,' they say in Warsaw, 'is that after the Russian revolution Prince Chetwertynski would have kept a restaurant in Paris, and after the Polish revolution he keeps it in Warsaw.' The prices are princely too, and there the communist Prince Radziwill may be seen dining with his host.

the country through the first stages of recovery. But it was an unstable synthesis; the nationalist opposition had been defeated by absorbing nationalism into the government itself, and in 1949 the dilemma of the communist who was also a good Pole was to arise within the government's own ranks.

Hungary

In Hungary, the turning point came with the plot crisis of May-June 1947. Up to that time, the four parties in the government had worked harmoniously. The elections of 1945 had been free; the Communists had gained seventeen per cent. of the total vote, the Social Democrats also seventeen per cent., the National Peasants seven per cent., while the Smallholders Party had emerged as the largest party, with fifty-seven per cent. of the total.

This last party had formerly been quite unimportant, a small opposition party under the Horthy regime, representing the gentry and middle class farmers, not the peasants. Now, however, its ranks were swollen by the elimination of the Fascist parties, whose supporters voted for the next best thing, the most right wing party in the government. In 1944 the entire state machine, the Army, the Church, the richer peasants, most of the middle class, as well as the real upper class of magnates and capitalists supported the Horthy regime; they now supported the Smallholders.

The upper class in Hungary was extremely powerful, and its power had never before been broken. It had been weakened by the land reform of 1945, but landowners and capitalists were still wealthy through their ownership of financial and industrial capital. Up to 1947, there had been only a partial measure of nationalisation, bringing the coal industry and five big heavy industry firms into State ownership. Communist rule seemed to mean simply a liberal revolution; free elections for the first time, government by coalition, a land reform, changes which no one could oppose but the dispossessed landowners and the real Fascists. Business interests had done very well out of the inflation.

PEOPLE'S DEMOCRACY

This state of affairs was not intended to last long. As soon as the Peace Treaty with Hungary had been signed in February, 1947, the Communist and Socialist Parties put forward a measure to nationalise the five big banks. This proposal was crucial, because the Big Three, the Credit Bank, the Commercial Bank and the Discount Bank, together controlled about seventy per cent. of the industry of the country.¹ If this measure were carried through, it would mean the liquidation of the former ruling class. The Smallholders Party therefore opposed the measure, and it was clear that so long as this party held a majority in Parliament the bank nationalisation could not be carried into effect.

At this point, in May 1947, the Security Police, then under the control of László Rajk, the Minister of the Interior, discovered the existence of a plot between an underground Fascist organisation in Hungary, and Hungarian émigrés in Austria. Some months earlier, Kovács, the Secretary of the Smallholders Party, had been arrested by the Russians, and it was claimed that he had provided evidence of a connection between the organisers of the plot and leaders of the Smallholders Party. Kovács was never seen again. The leader of the Smallholders Party, and Prime Minister, Ferenc Nagy, did not return from a holiday in Switzerland;² and Varga, another leader, escaped. A number of other persons were arrested at the same time (Rajk, asked by an American correspondent how many, replied 'Not nearly enough').

In Budapest, there was no doubt at the time that the plot was genuine, and that there were intrigues in the Smallholders Party which overlapped with it. For the Hungarian reaction, plots were just political routine; to the Hungarian left, and not only to the Communists, it seemed obvious that the former ruling class would seize any means of regaining its recently broken hold, and also

¹ Nationalisation also involved British capital holdings, amounting to twelve per cent. of the Credit Bank's capital.

² See *Central and South Eastern Europe, 1945-48*, edited by R. R. Betts, Royal Institute of International Affairs, 1951, p. 106.

REVOLUTION IN EASTERN EUROPE

that the Western powers would support them, as they had done in 1919.

But the discovery of this particular plot did what it was meant to do. It killed the Smallholders Party, which then broke apart into two wings, a left wing remaining in the government bloc, and a right wing in opposition. In July and August, there was feverish activity to unite the various opposition parties; new groups sprang up daily, and candidates for the position of 'our man' succeeded each other with bewildering rapidity. At one point it seemed likely that Sulyok, leader of the Freedom Party, was likely to mobilise all the opposition behind him, and at this point his candidature was disqualified, on the grounds of his former membership of a Fascist party. For a short time Pfeiffer, leader of another group, seemed likely to take his place; but none of the various opposition groups dared to form a united front; and none secured the all-important blessing of the Church. On the eve of the elections, the Catholic priests throughout Hungary made a house to house canvass, telling the people to vote for the party led by Barankovics, a hitherto unknown young journalist.

At the election on August 19th, 1947, the government parties gained sixty per cent. of the vote—the Communists twenty-two per cent., the Socialists fifteen per cent., the National Peasants eight per cent., and the rump Smallholders fifteen per cent. Among the opposition parties, Barankovics, to everyone's surprise, came out as chief, with sixteen per cent. of the total vote, a result of the Church's blessing, Pfeiffer with fifteen per cent., and the group led by Peyer, the right wing Socialist leader who broke away from the main body of the Social Democrats, with only four per cent. After the elections, the opposition leaders escaped abroad, Sulyok, Pfeiffer and Peyer leaving with the government's knowledge; they were too unimportant to be held. The Barankovics victory showed that the real strength of the opposition now lay with the Church.¹

¹ Barankovics continued as the leader of the 'loyal opposition' until the end of 1948 when he escaped, on the eve of the Mindszenty trial.

PEOPLE'S DEMOCRACY

After these excitements, the law for the nationalisation of the banks was passed, in November 1947. With dramatic suddenness, the general nationalisation of industry followed in the spring of 1948. On March 27th, Gerö, then Minister of Communications, summoned the representatives of the Works Councils to a conference in Budapest, and instructed them to return to their factories and take over the management. At the same time a bill was passed through Parliament enacting the nationalisation of all firms with more than a hundred workers. But nationalisation was already an accomplished fact, and the parliamentary machine superfluous.¹

By 1948, therefore, the right wing opposition was defeated, partly by skilful political manoeuvre by the Communists, partly by a definite change of opinion in their favour. There had been a very marked rise in real wages, and a rise in the living standards of the poorest peasants. In economic terms, the revolution was brilliantly successful.

Politically, the trouble was that it had been too easy. The political organisation and the economic basis of the opposition had been destroyed. But the opposition itself remained, and shifted its focus to the Church; its head, Cardinal Mindszenty, the Prince Primate, who remained himself in the background, now became the rallying point of the right. The Catholic Church in Hungary was of course a political power of the first order; always an instrument of reaction, it now represented the last stronghold. The proposal to nationalise the schools in 1948 was an attack on its influence. After the decision to begin the collectivisation of agriculture was announced in

¹ At the end of 1949 the government enforced a still more drastic measure of nationalisation, taking into State ownership enterprises employing more than ten workers, and all foreign-owned enterprises. This included such large enterprises as the Standard Telephone Company, Shell, Vacuum Oil, the First Hungarian Thread Factory (Coats), and the Budakalasz Textile Works. In connection with the American-owned Standard Telephone Company, a British and an American citizen were arrested on a charge of espionage. They were tried in February 1950, Mr. Sanders, the British business-man, being condemned to thirteen years' imprisonment, Mr. Vogeler, the American, to fifteen years.

REVOLUTION IN EASTERN EUROPE

1948, the Church was a real danger to the regime, for in the villages its power was used to discredit the support which the Communists had gained through the land reform. (It should be noted that this was true only of the Catholic Church. The Protestant Churches—Hungary is one-third protestant—are not anti-government and in the villages there are many pastors who are strong government supporters.)

In December 1948, Mindszenty was arrested on a charge of treason and speculation in foreign currency, and put on trial with six others, on February 3rd, 1949. In the Western press, the trial was reported as an attack on religion, and Mindszenty as a martyr who confessed under the influence of drugs. In fact, the charges related only to his political activities; the drug explanation was discredited by the Western press correspondents; and to the main charge of treason the Cardinal did not confess. He admitted all the other activities of which he was accused; his attempts from 1946 onwards to persuade the American Embassy in Hungary to intervene against the government; his plans for a Hapsburg restoration, in conversations with Otto Hapsburg in America in 1947; his preparation of a list of a provisional government headed by himself, to take office in the 'historic vacuum' to arise after western intervention; his illegal dollar dealings to the extent of \$140,000 with Esterhazy, who stood trial with him. The Cardinal admitted also that his policy had reckoned with the possibility of war, and had contributed to that result. But his final statement makes it clear that he denied the charge of 'planning to overthrow the democratic state order'; on his own standards, those of the Church, he did not regard these activities as 'crimes against the Hungarian people'.¹ He was condemned to life imprisonment, and his secretary to a similar sentence; the four other accused received sentences of three to fifteen years' imprisonment.

The trial marked the real defeat of reaction in Hungary. The opposition thereafter lacked any focus. The election of

¹ See *The Trial of József Mindszenty*, Hungarian State Publishing House, Budapest, 1949.

May 1949 resulted in a decisive victory for the government parties, and it then seemed as if the revolution was secure. Within the brief space of three years, Hungary had passed through all the revolutions which it had missed: 1789 came with the land reform, 1848 with the free elections, 1917 with the nationalisation of industry. All this had been achieved without a violent upheaval, in part by economic success, in part by political genius. Mátyás Rákosi, the effective ruler of the country, likes to describe himself as an old fox; and it was his political technique that succeeded in carrying the revolution through, in a country where foxes abound.

Because the technique has been so brilliant, the Hungarian revolution on the surface seems to lack spontaneity, even sincerity. It had moved on two levels—the melodramas of the plot, the Mindszenty trial, and the Rajk trial—played on the brightly lit stage, and the deeper changes in village and factory, and in the minds of the younger generation. To the outside observer, the events on the stage seem over-dramatised, all the parts over-acted; so much so that a feeling of revulsion is difficult to avoid; and the other level, more real and more lasting, is easily forgotten.

Czechoslovakia

In Prague, the decisive struggle for power did not come until early in 1948, so much later than in the other eastern countries that it easily seemed possible that in this most bourgeois of democracies the compromise might prove permanent. In the first two years, the political life of the republic was dull and slack; and outwardly seemed far more settled than in either Poland or Hungary. The Germans had been expelled; the key enterprises nationalised, under the Košice programme. The elections of 1946 had been free, returning the left and right wing parties in equal proportions with fifty per cent. each, the Communists with thirty-eight per cent., and the Socialists with twelve per cent., while of the right wing parties, the National Socialists were the largest with eighteen per cent., followed by the People's Party (Catholics) and the Slovak Democrats.

REVOLUTION IN EASTERN EUROPE

From the communist standpoint, the struggle for power in Czechoslovakia was difficult, because it had to be waged by strictly constitutional means; pressure elections, plots or treason trials, would have defeated their own purpose. Then it was difficult because it had to run counter to the whole national tradition, embodied in the liberal humanitarianism of Masaryk and Beneš. That was a middle class outlook, yet it had deeply imprinted itself upon the minds of the whole people. The First Republic had made the Czechs a nation of middle class proletarians; to reverse the process, and proletarianise the middle class, was going to be exceedingly hard. Yet the Communists had certainly far stronger party support among the industrial workers than anywhere else, and the working class itself was far larger, better organised and better educated, and more revolutionary. In the First Republic, it had not played a decisive part because the Communists and Social Democrats had split in 1919.

But if the working class was strong and class-conscious, so too was the Czech middle class. Far broader and stronger than in Poland and Hungary, and consciously the representatives of national tradition, the Czech middle class included not only the big industrialists, but the owners of thousands of small firms in the specialised export industries, a broad professional class, the well-to-do commercial farmers of Bohemia. Unlike the landowners and capitalists of Hungary, this class as a whole could not be accused of collaboration; with the exception of Bata and a few others, it remained true to its national tradition during the occupation. The personality of President Beneš, which this class regarded as its leader, was for the whole country a valuable symbol of continuity with the past. Hence the Czech revolution could not gain momentum from the division between collaborators and resistance; it had to be a straight class war, and yet fought within the framework of the constitution.

Within the Cabinet, the forces of left and right were equally balanced, in accordance with the election results and with their real strength in the country. Headed by the Communist

Premier Gottwald, the government contained eight Communist ministers, three Social Democrats, twelve ministers of the right wing parties, and two non-party ministers, Jan Masaryk, the Minister of Foreign Affairs, and General Svoboda, the Minister of Defence. The National Socialist Party became the main-spring of the bourgeois opposition, changing its own character in the process, in the same way as the Polish Peasant Party and the Smallholders in Hungary. Formerly it had been a liberal party, known as the 'Party of the President', and in the old republic had opposed the rule of the extreme conservative Agrarians. Now that the latter party was banned, the National Socialists gained most of the conservative vote from their former enemies, and came to represent the Czech middle class as a whole. Still further to the right were the Slovak Democrats, the former Agrarian Party in Slovakia, under a new name. One reason why the right wing opposition in Czechoslovakia was weak was that these two middle class parties respectively represented Czech and Slovak nationalism and were mutually opposed. The Slovak Democrats played little part in the crisis of 1948, because several of their leaders had been arrested beforehand, tried on charges of plotting, and imprisoned.

The first signs of a rift in the coalition came early in 1947, when the Parliament threw out the land reform bills proposed by the Communist Minister of Agriculture, Duris, which involved the expropriation of Czech and Slovak large farmers. The rift opened wider in July with the reversal of the Cabinet decision to accept Marshall aid, on instructions from Moscow. In the autumn, the economic situation suddenly grew much worse, as a result of the bad harvest. The Two Years Plan was not working out well, and the shortage of food and consumer goods caused discontent. This was a situation which the right wing parties could exploit, and the hope of a left wing victory at the coming elections receded. Then, in October, Premier Gottwald announced the main outlines of the Five Year Plan, to begin in 1949, which would require the general nationalisation of industry. To this the National

REVOLUTION IN EASTERN EUROPE

Socialists were opposed on the ground that the Košice programme had not provided for general nationalisation, only for the nationalisation of ex-enemy property. In their view, the existing Parliament was not empowered to carry out any further nationalisation, and they insisted that elections should be held before the general law was introduced.

This was the real issue behind the events of February 1948, though it was the question of the control of the police which immediately provoked the crisis. On February 13th, the Cabinet, by a small majority, had instructed Nosek, the Communist Minister of the Interior, to revoke the appointment of eight police officers to the Security Police. The Communist ministers held that these appointments had been made in accordance with law and with traditional practice which allowed ministers to make appointments in their own ministries; they therefore regarded the Cabinet decision as unconstitutional, and at a Cabinet meeting on February 18th, when the National Socialist leader Stránský asked that this decision should be discussed, Premier Gottwald refused to allow discussion. Thereupon the National Socialist ministers offered their resignations, followed by the other ministers of the right wing parties, twelve in all. This left in the Cabinet the eight Communists, three Social Democrats, and the two non-party ministers.

The responsibility of deciding to accept the resignations then lay with President Beneš. On Saturday and Sunday, February 21st and 22nd, there were mass demonstrations throughout the country in favour of the Communists. On the Sunday, 8,000 factory delegates attended the Congress of Works Councils, representing the Trade Unions, demanding nationalisation for all firms with over fifty workers. Action Committees were set up in the factories. The industrial workers as a whole stood solid behind the Communists. On Wednesday, the 25th, the President decided to accept the resignation of the ministers. Until the last moment he had hoped that an agreement could be reached between the Communists and the National Socialists, for the resigning ministers were his own personal

PEOPLE'S DEMOCRACY

supporters and friends. But the alternative would certainly have been a political upheaval, possibly Soviet intervention. Mr. Zorin, the Soviet Deputy Foreign Minister, had arrived in Prague during the crisis. Unlike other protagonists of Western democracy in eastern Europe, President Beneš had reason to know that Western support meant no more than the war of words.

After the crisis, a new Cabinet was formed, composed of twelve Communist ministers, holding all the more important ministries, Jan Masaryk as Minister of Foreign Affairs and General Svoboda as Minister of Defence, three Social Democrats, two People's Party, two National Socialists, one Slovak Democrat, and the aged leader of the Slovak Freedom Party, Dr. Šrobár. Jan Masaryk, whose personal prestige was as great as that of the President, had decided, in his own words, to 'go with the people'.

In the Western press, the crisis was reported as a Communist 'coup', an unconstitutional seizure of power. Yet on constitutional principles it was undoubtedly correct; the right wing ministers had resigned of their own volition. The turning point was the mass demonstrations of the workers, which convinced President Beneš that the resignations must be accepted. The workers' demonstrations, though well-disciplined, were genuine, for the Czech working class had looked forward to this turning point for a generation.

The break with national tradition was none the less hard. Class-conscious as the industrial workers were, the tradition of Masaryk and Beneš had its meaning for them. The suicide of Jan Masaryk after the crisis symbolised the end of the past in too tragic terms; the resignation of Beneš, and his death, in November 1948, deepened the sense of loss.

The Czechs are materialists, and if the revolution had been able to offer immediate material benefits, that impression might have been overcome. But it did not. The workers had been told that the great shortage of textiles and shoes was the work of speculators, yet general nationalisation, which came in April, brought no improvement in supplies. The Two Years'

REVOLUTION IN EASTERN EUROPE

Plan brought no noticeable rise in living standards; the rationing system did not work so well, and black marketing increased. All this meant some disillusion, and imposed a strain on the loyalty of the workers to the Communist Party.

None the less it has survived that strain. The Czech revolution certainly had by far the strongest and most sincere popular backing of any. Though the Communist Party has no men of the calibre of Minc or Rákosi, Gottwald and Zápotocký are in a much truer sense working class leaders, and genuinely trusted by the trade unions. There is not, and there never has been, any emotional drive behind the Communist Party; yet its strength is certainly far greater than elsewhere.

With the February revolution in Czechoslovakia, the second stage of the revolution, the phase of 'people's democracy', was ended. By 1948, the Communists were in effective control of the governments in every east European country, although the Cabinets still contained members of other parties. The bourgeois opposition was liquidated, and with it the influence of the Western Powers. The two fundamental economic changes, the nationalisation of industry and the land reform, had been carried through. The way was open to the next stage, in which 'people's democracy' was to appear as a transitional form of government, on the way to complete socialisation and sovietisation.

The Meaning of 'People's Democracy'

In the first and second phases of the revolution, the meaning of the term 'people's democracy' used to describe the new regimes, was never clearly defined. What it was commonly understood to mean, in Yugoslavia, for example, in 1945, was a system of government in which the economic and political power of the property-owning classes had been eliminated, and in which the basis of political power was to be 'the union of workers and peasants'. The sharing of power between workers and peasants was considered to be the essential point of difference between the form of government in the new

PEOPLE'S DEMOCRACY

democracies and that of the Soviet Union; political power was not to be based on the dictatorship of the proletariat; and the peasants as a class would remain peasants; there would be no collectivisation of agriculture. Thus, on the one hand, the new form of government was to differ from the Western form, in that political power was not to depend on the ownership of capital and land; on the other hand, it was to differ from that of the Soviet Union, in that the workers were to share political power with the peasants. And it was understood, though never explicitly stated, that the new form of government would be permanent, and that it came into existence when the expropriation of industry and large estates was complete.

But it was evident from the first that in practice 'people's democracy' meant two different things, in Yugoslavia, and in the other countries. What it in practice meant in Yugoslavia was a popular dictatorship, with no parliamentary conflict and no party opposition. The dictatorship was based on half a revolution, and a popular one; and undoubtedly, the peasants' interests were well looked after.

But in the other eastern European countries, particularly in Hungary and Czechoslovakia, the system of government was certainly not a dictatorship. The parties in the Government coalitions retained their separate existence and distinct policies. In Hungary, Bulgaria, and Poland there was a parliamentary opposition outside the government, and all legislation required a parliamentary majority, even if the majority needed a lot of manoeuvring to secure. In these countries, the system of government resembled in form parliamentary democracy of the Western type, with the difference that the Fascist and collaborationist parties were banned. In Hungary and Czechoslovakia the economic reforms had been carried out only in part, and the property basis of society was still very strong. There had been no general nationalisation of industry; indeed, in 1947-48, this was the central issue of the political struggle.

Yet these governments were also described as 'people's democracies'. Clearly there were at least two interpretations

REVOLUTION IN EASTERN EUROPE

of the term; it might mean a popular dictatorship, as in Yugoslavia, *after* the expropriation of industry and large land property; or it might mean a parliamentary system, with the parties of the left in power, and in the process of carrying out the expropriation of capitalists and landowners. Those who had achieved the first were full of contempt for the second. In Budapest in July 1947, I asked the Yugoslav Minister to Hungary what he thought of Hungarian democracy, and he replied, '0.1 per cent.'. At this time the Hungarian parliament was howling like a pack of wolves about the nationalisation of the banks, and the British and American press was giving Hungarian democracy fairly high marks by Western standards.

In the countries other than Yugoslavia, what 'people's democracy' appeared to mean was a system of parliamentary government with the capitalists fighting a losing battle instead of the workers. As a form of government, it was not new at all, for the form really was similar to that of the West. It was the content which was different, in that when it came to a show-down, it was the left which would win and not the right. This was so, because although the governments were coalitions of different parties, the key Ministries of Defence, the Interior and Foreign Affairs, were held by Communists, so that the army and police were under Communist control. This was one of the conditions imposed by the Communists on the other parties when the National Front Governments were formed, and the condition on which the other parties had participated. Because the Communists held these strong points, they could determine how much share in political power to give the other parties; they could even appear to compromise, because real power rested with them. 'I asked Attlee', Mr. Rákosi told me in July 1947, 'how many Generals has the Labour Party? Do you control the Navy and Scotland Yard? But he seemed not to understand'.¹

¹ Mr. Stephen Spender in *The God that Failed*, Hamish Hamilton, 1950 (p. 264), gives another version of this story, apparently based on a confusion with another remark of Rákosi's at the same time, to the effect that Hungary was eighty per cent. Fascist.

PEOPLE'S DEMOCRACY

This is of course the essence of the communist outlook; the decisive factor is control of the executive. Under capitalist democracy, the workers have political rights, and may even win a majority at elections; none the less this will not give them power, unless they take over the army and the police. In Hungary in 1947 the position was reversed, and the bourgeois opposition was in the position of the working class in the West; they could vote, they could lead the opposition, or even form the largest party in the government, but they were certainly never going to be allowed to form an opposition which could take over the government. 'People's democracy' meant a system in which the centre of gravity had shifted.

In the course of 1945-47, all these governments held elections, at which they won large majorities. At the Polish elections, the government parties formed a consolidated front; the elector could vote for the government or for the opposition, but he could not vote for one party in the Front rather than another. In Czechoslovakia, Hungary, and Bulgaria, he could; the parties in the government formed a coalition with a single programme, from which the government would be formed, in accordance with the voting strength of the different parties forming it. If the elector voted for the Front, or for one of the parties in the government bloc, he voted for a programme which was not Communist, a programme with a wide popular appeal, in Czechoslovakia and Poland with a definitely nationalist appeal. The national fronts stood for reformist, not communist, policies and they were certainly popular.

The object of Communist policy up to 1948 was to make the elections turn on these new policies of reform, and not on the question of Communism *versus* anti-Communism. But it was precisely on this question that the opposition wanted to make the elections turn; their aim was to mobilise anti-Soviet opinion in order to prevent the expropriation of capital. This was most apparent in Hungary and Czechoslovakia.

When the opposition worked on these lines, the Communists had a very strong point; they could accuse the opposition of being Fascist. Of individual leaders, like Mikołajczyk, it was

REVOLUTION IN EASTERN EUROPE

not true, but essentially it was true of the forces behind them. The real driving force in the Polish opposition was romantic near-Fascism. In Hungary it was Fascist *sans phrase*, but it could not oppose Communist domination under its true colours. Neither party to the conflict could oppose the other, in its real form and full strength, without a civil war.

The fact that in reality the two contending forces were so far polarised meant that there could be no free elections in the sense of a rational choice between different parties. The real choice lay between Fascism and Communism; what the majority of the electorate probably wanted was neither, and in fact, for a time, that was what they got. A middle way was what 'people's democracy' really achieved up to 1948.

By the beginning of 1948, the revolution had completed its first two stages, the overthrow of the Fascist dictatorships by the National Front governments, and the defeat of the bourgeois-nationalist opposition. The third stage began when the Cominform countries decided to begin the collectivisation of agriculture. When exactly the decision was reached is uncertain; it was not known that it had been reached at all until June 1948, when the Cominform communiqué appeared, attacking the Yugoslav Government for its failure to prepare the conditions for the collectivisation of agriculture. Up to that time, collectivisation had never been mentioned as the aim of Communist policy. For the peasants, the meaning of the new regimes had been land reform, the broadening of the property basis of the state—an essentially 'bourgeois' conception. Under people's democracy it was understood that agricultural production was to be organised in the 'co-operative sector'; and though the word co-operative was vague, it did not convey the meaning of socialised land ownership.

It is possible, of course, that the leaders of the Communist parties had from the first regarded collectivisation as the ultimate goal of the revolution. When I asked Rákosi, in 1947, whether collective farming would come in Hungary, he replied, 'There are over a million farms in Hungary that are too small for the farmer to live on. We have co-operative farms

PEOPLE'S DEMOCRACY

already, though we don't make much propaganda about them; and we shall have more.' That was exact, but it did not suggest there was any immediacy. It seems probable that though collectivisation was the ultimate aim, it was regarded as an aim for the distant future; for otherwise it would not have caused the dissension inside the Communist parties which has since arisen. Possibly the decision was reached at the time that the Information Bureau of the Communist parties was set up, in September 1947; it was certainly being discussed in the Polish Communist Party, and in the Yugoslav Government early in 1947; but it clearly could not be announced as a declared aim until the second stage, the defeat of the bourgeois opposition, had been completed by the Czech revolution in February 1948.

Compared with the collectivisation of agriculture, the land reform, even the nationalisation of industry, had been mere ripples on the surface; for they had not much affected the lives of the peasants who were everywhere except in Czechoslovakia the majority of the people. To socialise agriculture meant to socialise the whole economy, to revolutionise the whole fabric of social life.

The new policy meant a complete change in the conception of people's democracy. Now, it was clear that people's democracy was no longer to be regarded as a middle way, but as a transitional phase in the advance to socialism. This was first explicitly stated by Hilary Minc, the Polish Minister of Industry, in a speech to the Central Committee of the Polish Workers Party in April 1947.¹

'The so-called third path, the middle way between capitalism and socialism, the path of strengthening people's democracy in its present form . . . and attempting to build socialism in the towns, while preserving the countryside as a permanent source of small community and capitalist production, is certainly no third path. It is in reality nothing other than the first path, the

¹ Published as an article 'From a People's Democratic Poland to a Socialist Poland' in the Cominform journal, *Lasting Peace*, August 1st, 1948. The date of this speech is significant; see below, p. 54.

capitalistic path,' for the capitalist elements among the peasants would before long triumph over the workers' interests. 'The specific character of our path is the forward movement towards socialism through a people's democracy. Hence it would be a mistake in principle to think that the Polish way to socialism is to preserve intact the present economic and social system of people's democracy, for this would be the way back to capitalism.'

The transitional character of people's democracy was similarly emphasised by Dimitrov, in a speech to the Fifth Congress of the Bulgarian Workers' Party, in December 1948. 'The people's democratic state is a state in the transitional period, destined to ensure the development of the country along the road to Socialism. This means that although the rule of the capitalists and big landowners is overthrown and their property handed over to the people, the economic roots of capitalism are not yet abolished; capitalist elements still persist and develop, trying to restore capitalist slavery. Therefore, the onward march towards Socialism is possible only by waging a relentless class struggle against the capitalist element for their complete liquidation. Only by advancing unswervingly along the road to Socialism can the people's democratic state consolidate itself and fulfil its historic mission. Should the people's democratic state cease to fight against the exploiting classes, and fail to suppress and dislodge these capitalist elements, the latter would inevitably gain the upper hand, and would not only undermine the foundations of the people's democracy, but would bring about its doom.'¹

In this next stage, the basis of political power could no longer be the union of workers and peasants. For the nationalisation of industry, and for the land reform, it was possible to get broad popular support, because the workers and the poorer peasants both gained from these changes. But in a peasant country it would be impossible to get support from the peasants in general for the abolition of private property in land. The richer peasants would certainly oppose it; the

¹ *Lasting Peace*, January 1st, 1949.

medium-sized peasants also, and the poorer peasants might, at best, co-operate. But they could not be expected to take the lead. To take this step meant abandoning the political conception of the union of the workers and peasants for the dictatorship of the proletariat. Hitherto, the peasants as a class had been lumped together. Now a distinction must be drawn between the 'rural capitalists', the enemy, and the peasant masses, the allies of the working class, in the transformation of the peasant economy into collective farming.

Minc, in the speech quoted above, was careful to emphasise that the masses of the peasants were searching for such a new form of development, and alluded to the idea of organising peasant holdings into co-operative farms, which had been advocated by the founders of the Polish Peasant Party in 1919—and which had certainly existed among other peasant parties, notably in Bulgaria, at that time. The new conception would realise 'the dream of the old peasant leaders' to proceed through producers' co-operatives to large-scale collective farming. He did not speak of the dictatorship of the proletariat, but of an alliance between workers and peasants in which the leading role would belong to the working class.

But other Communist leaders have since stated explicitly that the new conception does mean the dictatorship of the proletariat. Rákosi, in a speech on March 5th, 1949, said that people's democracy meant 'a dictatorship of the proletariat, without the Soviet form.' An even more extreme statement on this point was made by Révai, the Hungarian Minister of Culture, in an article which appeared in the *Hungarian Communist Review* of May 1949, in which he said that 'among many mistakes which have been made, the main one was to believe in the idea that power could be shared in a people's democracy between workers and peasants.' The peasants were not excluded from directing their own fate, but the idea that they shared power must be liquidated. Even the working peasantry were vacillating in the matter of Socialist development and the fight against imperialism because it supported private property. Hungary was a proletarian dictatorship

REVOLUTION IN EASTERN EUROPE

without the Soviet form, but 'the organisation of our country must approach and adapt the proletarian dictatorship to the Soviet form.'¹

This meant a complete break with the idea that people's democracy was a political system distinct from that of the Soviet Union. Now the political and economic system would approach that of the Soviet Union; there could be no national way to socialism. This point was emphasised by Rákosi in his speech to the Central Committee of the Hungarian Workers' Party, in December 1948; 'Nowadays, when the questions of socialist construction are advanced one after the other, it becomes clearer than ever that all the main features of the building of socialism in the Soviet Union are applicable to every country. To the ways and means of building Socialism, each people can and will add features of its own, but in the main essential and decisive questions there is no special "national" road.' The only difference was that in the people's democracies the transition could come peacefully. Bierut, the Polish President and Secretary of the Polish Workers' Party, stressed this point: 'The truth is that the Polish path to Socialism, despite certain specific features, is not something qualitatively different from the general path of development towards Socialism, but differs only in form from the general path of development, a difference that arose precisely because of the preliminary victory of Socialism in the Soviet Union, a difference that it is based on the experience of socialist construction in the Soviet Union, taking into account the possibilities offered by the new historical period and the specific conditions of the historical development of Poland.'²

It was on this issue—the meaning of people's democracy—that the conflict arose between Yugoslavia and the Cominform. In the third phase of the revolution, opposition arose within the Communist parties, no longer from without.

¹ Quoted in *The Times*, May 7th, 1949.

² *Lasting Peace*, December 15th, 1948.

CHAPTER III

YUGOSLAVIA AND THE COMINFORM

THE Cominform communiqué, published on June 28th 1948, was the first news of the breach between Yugoslavia and the other Communist Governments. It was a sensation, for up to that moment Yugoslavia had been the model people's democracy for east Europe, the symbol of communist terror to the West. In the cold war, it had been Yugoslavia which the Western Powers attacked most; Yugoslavia's claims to Trieste, its aid to Greece, its drastic expropriation of foreign capital, had been major sources of east-west conflict. But now the attack came from the East; the communiqué was an indictment of the leadership of the Yugoslav Communist Party on a long series of counts.

The universal reaction was to ask what Tito had done. The charges were framed in terms of Marxist theory, and did not refer to any definite action. The outside world naturally concluded that behind the *isms* there must lie a secret too dangerous to reveal. Perhaps Tito had refused to aid the Greeks? Or possibly there was a dispute between Stalin and Tito about Trieste or Carinthia? Or a secret deal between Tito and the Americans? This seemed possible, because the U.S. Government had just released the Yugoslav gold. Most probably, thought the Balkan experts, on their familiar ground, it was Macedonia. This seemed possible too, for soon after the communiqué appeared, a bitter quarrel between Yugoslavia and Bulgaria about Macedonia burst into the open.

Yet none of these issues alone seemed sufficient to explain the all-round denunciation, and none of them were mentioned in the document itself. From what has happened since, it seems that the Yugoslav Government had not, at that time, made any decisive move towards the West on these points, though there had been friction between the Yugoslav and the Soviet

REVOLUTION IN EASTERN EUROPE

Governments about all of them. The explanation cannot be found in any specific issue of foreign policy. It was not a question of what Tito had done, but of what he might do, if the leadership of the Yugoslav Communist Party continued on the same lines.

What he might do was betray the revolution. The essence of the Cominform denunciation was that the Yugoslav Communist Party had ceased to be genuinely communist. The specific accusations are a mixture of apparently trivial charges about specific actions, and a general denunciation of errors in Marxist theory. The document means just what it says, but its meaning is obscure, because it is not apparent which of the charges is the vital one; it needs interpretation. It is essential to understand that from the communist standpoint action and theory are regarded as linked by a logical nexus; and that a mistake in action is necessarily a consequence of an error in theory. If Yugoslav Ministers showed hostility to Soviet military experts, that was a sign of something very wrong in the policy and organisation of the Yugoslav Communist Party, a fundamental error in doctrine. The charges were all of equal importance, and all were inter-connected.

The main charges were four :

(i) Hostility to the Soviet Union

This was the starting point of the quarrel. It meant that Yugoslav Ministers had criticised the Soviet military experts in Yugoslavia and that Yugoslav officials had refused to give economic information to the Soviet advisers. The charge of hostility had been first made in an exchange of letters between the Yugoslav and Soviet Governments, which began before the Cominform meeting in June and which were kept secret until after the Cominform communiqué was published. From these letters it appears that in March 1948 the Soviet military advisers had been withdrawn by the Soviet Government, on the ground that they had been treated with hostility. Tito, in a letter to Molotov on March 20th, protested against this decision, and denied that there was any truth in the charge. The Soviet reply of March 27th gave details of unfriendly acts towards Soviet military and civilian specialists in Yugoslavia, and proceeded to a general attack on the character of the Yugoslav Communist Party. Tito then

YUGOSLAVIA AND THE COMINFORM

replied that the 'slandrous information' on which this attack was based had been circulated by two Yugoslav Ministers, Hebrang and Žujović, who were thereupon expelled from the Yugoslav Communist Party. The Soviet reply was a much more hostile attack on the Yugoslav Communist Party, and proposed that the question of the Soviet-Yugoslav 'differences' should be discussed at the next meeting of the Communist Information Bureau. Tito's reaction was to arrest Hebrang and Žujović and to refuse to attend the Cominform meeting. That was a decisive act of defiance; up to that point, the Soviet Government had evidently believed that the 'differences' could be settled by discussion; after that point, it decided that the leadership of the Yugoslav Party must be changed.

At the Communist Information Bureau Meeting in June, the Yugoslav Party was expelled from membership and on June 28th the Bureau issued the communiqué¹ which was a systematic amplification of most of the charges already made in the Soviet notes. After the main charge of hostility, the other accusations were :

(ii) Fundamental Errors in Marxist-Leninist Theory

According to Marxist-Leninist doctrine, the final phase of the revolution, the collectivisation of agriculture, must be carried through by an alliance between the industrial proletariat and the poorer peasants, against the opposition of the richer peasants, in an intensified class struggle. The Yugoslav Communist leaders were accused of breaking away from the Marxist-Leninist theory of class war, in that they regarded the peasants as a single class, not differentiating between rich and poor peasants; they believed that in the later phases of the revolution the class struggle would die down, allowing capitalism to grow peacefully into socialism. Hence it followed that they had not created the conditions for the collectivisation of agriculture; on the contrary, they had made it impossible.

(iii) The Organisation of the Communist Party

This fundamental mistake in theory sprang from the fact that the Yugoslav Communist Party represented the peasants and not the

¹ The full text is available in *Lasting Peace* of September 15th, 1948. It has also been published, in pamphlet form, by the Royal Institute of International Affairs under the title *The Soviet-Yugoslav Dispute*, together with the Soviet-Yugoslav correspondence.

REVOLUTION IN EASTERN EUROPE

workers. It had merged itself in the People's Front, and had ceased to have any policy of its own. The People's Front represented all classes, including bourgeois and kulaks, as well as workers and peasants; and the leaders of the Communist Party were leaders of this miscellaneous body, not of the workers. By affirming that the peasants were the 'most stable foundation of the Yugoslav State', said the communiqué, the leaders of the Yugoslav Communist Party were 'departing from the Marxist-Leninist path and taking the path of a populist kulak party.' There was no justification, in a people's democracy, for the semi-legal status of the Yugoslav Communist Party. Its organisation was undemocratic. The slightest criticism of incorrect measures in the Party had been brutally suppressed. The expulsion and arrest of Žujović and Hebrang, because they had dared to criticise the anti-Soviet leaders, was disgraceful—'such a purely Turkish terrorist regime cannot be tolerated in the Communist Party.'

(iv) Nationalism

This was the root cause of all the other deviations. The origin of all these mistakes, said the communiqué, lies 'in the undoubted fact that nationalist elements, which previously existed in a disguised form, managed in the course of the past five or six months to reach a dominant position in the leadership of the Communist Party of Yugoslavia, and that, consequently, the leadership of the Communist Party of Yugoslavia has broken with the international traditions of the Communist Party of Yugoslavia, and has taken the road to nationalism . . . The Yugoslav leaders think that they can maintain Yugoslavia's independence and complete socialism without the support of the Communist Parties of other countries, without the support of the Soviet Union . . . They think that by making concessions they can curry favour with the imperialist states. They think that they will be able to bargain with them for Yugoslavia's independence, and gradually get the people of Yugoslavia oriented on those States, i.e. on capitalism.'

The communiqué ended with the statement that the Information Bureau did not doubt that there were sufficient healthy elements in the Yugoslav Communist Party to compel their present leaders to recognise their mistakes openly and honestly and to rectify them, to break with nationalism and

YUGOSLAVIA AND THE COMINFORM

return to internationalism, and to consolidate the united socialist front against imperialism.

All the charges were true. It was true that the Communist Party in Yugoslavia had merged itself in the People's Front; and that the People's Front represented predominantly the peasants. That was because it had originated from the partisan movement, in which the poor peasants of Bosnia, Croatia, and Montenegro had been a stronger force than the industrial workers in Zagreb or Belgrade. About half the members of the Yugoslav Communist Party, with a membership of 470,000, were peasants. In the People's Front of over seven million members, the majority necessarily were peasants—all the industrial workers of Yugoslavia did not add up to more than about 500,000 in all, and their interests had been swamped. Most of the leaders of the party were of peasant origin. Inevitably, the People's Front became a peasant movement; to those who remembered the old Balkan peasant parties, the Cominform charge that the Front was a populist (i.e. peasant) party rang true. Its policy came very near to the Agrarian democracy of the Croat leader Radich, thirty years earlier—a policy for the peasants against their exploiters, capitalists, landowners, townspeople in general. The new 1948 nationalisation measure, taking even the smallest firms into State ownership, was very 'peasant'; it was the townspeople who suffered. The peasants were the masters of the economic situation to a greater extent than in the other countries. They dictated the terms on which they sold food to the towns; and through the linked price system, they got the lion's share in new industrial production. They could sell in the free market at very high prices. In Belgrade, the peasants sat in the cafés, once the preserve of the middle class, with money to spend. In the union of workers and peasants, the peasants predominated. The government could not take measures against the richer or middle peasants, because they were the main force behind them.

The nationalist character of the Front sprang from the same root, the success of the resistance. The partisan movement,

REVOLUTION IN EASTERN EUROPE

alone of all the resistance movements, had succeeded in completely welding together the revolutionary and nationalist elements. Sweeping into power on the crest of that wave, Tito had been able to carry through the first stage in the revolution, the liquidation of the bourgeoisie, without opposition. He could rightly claim that the People's Front 'sprang from the heart of the people', as in other countries it did not; there, Tito said, union had come by agreement with other parties, concluded from above; in Yugoslavia it had come from below. The People's Front had been able to overcome the old antagonisms between Serbs and Croats, by a merging of local nationalisms into a Yugoslav nationalism. Nothing like this had happened in the other east European countries. In the first stage of the revolution all other Communist parties had allied themselves with right wing nationalist parties and had come to power, in greater or lesser degree, with the aid of nationalist policies. But in the other countries there had never been a complete merger of the different parties in the national front governments, and, as the revolutionary economic policies were carried into effect in the second stage of the revolution, the antagonism between right and left parties in the government had sharpened into a break-up of the national front coalitions, and the liquidation of the nationalist element, as represented by the bourgeois opposition. The way was then open for the third stage, the transition to complete socialism, through the socialisation of the land.

But in the new Yugoslavia, there had never been an organised bourgeois opposition. The older political parties died an almost natural death, being absorbed into the Front; industry had been nationalised even before the whole country was liberated, without any party struggle between left and right. The People's Front was popular, because of the military successes of the partisan movement, not because it represented the working class. For this reason, the national element swallowed up the revolutionary within the Front. The conflict between the two elements was waged in the inner circle of the Cabinet, and not between political parties, and ended in the arrest of the two

Ministers, Hebrang and Žujović, who represented the revolutionary policy, as opposed to the nationalist group round Tito.

It was this action which brought the open breach with the Cominform. The secret had been kept from the outside world, but in Yugoslavia and in Cominform circles it was known that from 1946 onwards there had been a series of quarrels on questions of economic policy between two groups in the Cabinet; one, consisting of Hebrang and Žujović, the Ministers of Industry and Finance, the other consisting of the group round Tito, Ranković (the Minister of the Interior), Kardelj (Vice Premier and Foreign Minister), Djilas (Propaganda Chief), and Kidrič (Chief of the State Planning Commission). Hebrang and Žujović were the economists, and held key positions in preparing and operating the plan; Hebrang was one of the few surviving pre-1941 Communist leaders, the only powerful mind in the government; Žujović had been a leading partisan General. They were the rationalists, and they came up against the Tito group's conception of romantic planning; a vast plan on heroic lines to outdo all others, achieved by 'bare hands' and 'working élan'. What actually emerged in 1947 was a fantastically ambitious conception, involving a 400 per cent. increase in industrial production, and an impossibly high rate of investment. The plan itself had been criticised in earlier Cominform meetings. Hebrang and Žujović opposed it on the grounds that the equipment could not be produced in the time, and that capital could not be accumulated at that rate; they were sarcastic about 'bare hands'. What they said made sense, but it was damaging to national pride. Moreover, Hebrang had long been advocating collectivisation.¹ When the Cominform decision to undertake collectivisation was reached, it was clear to Tito that Hebrang and Žujović would get support from the other Communist parties, and their opposition then became a challenge to Tito's own power. One of the most

¹ As long ago as 1946 he had told two members of the Unrra Mission that it would have to come and soon, if the food supply problem were to be solved.

REVOLUTION IN EASTERN EUROPE

revealing documents in the story—and the most damaging to the Tito group—is the report of the Yugoslav Communist Party on the expulsion of Hebrang and Žujović from the Party.¹

The root cause of the conflict was the new line of Communist policy, the conception of people's democracy as a transition stage to socialism, not as a permanent form of government. Tito's group adhered to the earlier conception, the idea of the union of workers and peasants, which meant stabilising the revolution at a half-way stage, which, as Minc said, was the road nowhere. By refusing to accept the new line—which was, of course, the traditional Leninist doctrine—the Yugoslav Government had followed a nationalist policy; and it was precisely because they had been so successful in the first stage of the revolution, and were more popular than the rest, that they could not move on to the last stage.

What made the origin of the conflict a mystery to the outside world was that up to the time when the communiqué was issued, the new line of Communist policy had not been publicly stated. It had been discussed within the Communist parties, and expounded by the leaders in the previous year (Minc's speech on the subject was made to the Polish Communist Party in April 1947); but it had not been made public, and perhaps would not have been, if the conflict had not arisen. It was for this reason that the charge that the Yugoslav Government had not prepared the way to collectivisation seemed unjust, for the same charge could equally well have been levelled at all the other Communist governments. As the Yugoslav Government pointed out, there were more and bigger kulaks in Czechoslovakia and Hungary than in Yugoslavia. The difference was that in the other Communist parties the leadership had accepted the change of policy, while the Yugoslav Party had not.

¹ This is contained in the pamphlet published in Belgrade in 1948, *Statement of the Central Committee of the Communist Party of Yugoslavia in regard to the resolution of the Information Bureau of Communist Parties on the situation of the Communist Party in Yugoslavia*.

The Yugoslav Reaction

Since 1948, the breach has widened into a bitter conflict. At first Tito pretended that the quarrel was one between the Yugoslav Government and the other east European countries, and not with the Soviet Union, for the Soviet notes had been kept secret. His dilemma was that Yugoslav nationalism had arisen in war, on the side of the 'great Ally', and it was linked with pro-Soviet feeling. No one who lived in Yugoslavia in 1945 could doubt the depth and strength of that feeling; there was a popular sentiment for the Slav brother liberator, such as existed in no other east European country. In 1948, Yugoslavia was the only one among them which in the event of war would quite certainly have mobilised on the Soviet side. Tito could not turn against that sentiment; his own prestige depended on that of the Soviet Union. Yet, as a nationalist leader, he could not admit that he was wrong. For the moment, the ordinary Yugoslav Communists were reassured by the thought that Stalin and Tito would settle it.

This attitude could not long be maintained. The Congress of the Yugoslav Communist Party opened on July 17th in an exalted and intransigent mood, the leaders protesting their loyalty to Marxist-Leninism in seven-hour speeches, which laid the entire blame on the traitors Hebrang and Žujović. After *Pravda* had published an attack on the Congress, this mood sobered slightly, and the leaders concentrated on refuting the charge that they were revising Marxist theory. Kidrić, in a long speech, put forward the argument that the Yugoslav war of liberation had created special conditions for achieving the revolution more easily in Yugoslavia, but that in every respect it had followed Marxist-Leninist lines. This theoretical argument has been carried on since with ever-increasing vehemence on both sides; by April 1949, Moše Pijade, Tito's expert on Marxist theory, had developed the view that the Yugoslav Party alone was correct on Marxist-Leninist lines, while everyone else had deviated.

At the same time as the leaders were hotly denying the truth of the Cominform accusations, the Party Congress none

REVOLUTION IN EASTERN EUROPE

the less passed a series of resolutions which in fact admitted the truth of the criticisms, by taking action to prove them wrong. It resolved to take more workers into the Party, and to elect and not co-opt the Central Committee. Immediately after the Congress, Government supporters seized pigs from kulak farms, but this activity had to be stopped, because it proved too difficult to organise the transport of the pigs. The formation of producer co-operatives (i.e. semi-collective) farms has been pushed on; by August 1949 the Government claimed that there were 4,000 of these, including twenty per cent. of the peasantry, which, if true, means there are more collectives in Yugoslavia than in any other east European country. The Cominform press says they are not genuine, i.e. are unions of farmers who combine to cultivate the land, but retain the income from their holdings on a capitalistic basis.¹

All this did not affect the attitude of the Soviet Government and the Cominform; what was needed was not only the correction of errors, but primarily the admission that the errors had been committed. From the Cominform standpoint the assertion that the Yugoslavs were better communists than the rest was just another manifestation of nationalism.

Economic Consequences

The immediate effects were economic. The other east European Governments, most of which had an export surplus with Yugoslavia, began to press for deliveries of goods promised under their trade agreements, and to stiffen their terms when the agreements came up for renewal. Towards the end of 1948, Tito switched exports of copper from the Soviet Union to the United States for the O.E.E.C. strategic stock-pile.² After this, the other east European countries one by one declared a blockade, and by the spring of 1949 all trade

¹ By the spring of 1950, it was admitted even in official Yugoslav circles that co-operative farming had not been successful, because not enough machinery was available, and because the peasants outside the co-operatives could make large profits by selling in the free market.

² See *The Times*, January 15th, 1949.

between them and Yugoslavia had ceased. The blockade meant that the Five Years' Plan could not possibly be realised, though it probably could not have been in any case. The most serious effect of the blockade was the stoppage of Polish coal and coke exports, and the loss of the promised steel mill and blast furnace from the Soviet Union. Equipment for the new power stations was also a serious loss; Hungary was to supply equipment for two power stations, Czechoslovakia for another. The cessation of trade hit Yugoslavia harder than it did its trading partners because they could find alternative sources of supply for iron ore in the Soviet Union, and for timber in Rumania, and they had been exporting more to Yugoslavia than they had received in return.

So far, Tito has not been able to get economic aid from the West on a scale which would make good the effects of the blockade. In April 1949, the Yugoslav Government applied to the International Bank for a loan of \$250 million. Up to July 1950, this application has not been approved, though a loan of \$25 million has been promised; a loan of \$20 million for the purchase of mining machinery from the U.S.A. was granted by the Export-Import Bank in August 1949, another in March 1950, and a credit of \$2,700,000 by the International Bank for purchase of timber machinery was granted in December 1949. Mr. Truman has also sanctioned the Yugoslav request to purchase materials for a steel mill (as a substitute for the equipment to be supplied from the Soviet Union under the trade agreement), valued at \$3 million, to be delivered within a year; this was to be obtained through normal trade, but it required special sanction owing to the United States embargo on exports of war materials to eastern Europe. American and British firms sent representatives to Yugoslavia. At the end of 1949, the United Kingdom made a large trade agreement with Yugoslavia, after two and a half years of negotiation.

National Communism

Politically, the repercussions have been enormous. Tito's

REVOLUTION IN EASTERN EUROPE

policy found support in the inner core of the other Communist parties, among the most powerful and popular leaders, and created a new deviation, National Communism. First to take the pro-Tito line was Wladislaw Gomulka, the secretary of the Polish Workers' Party, Vice-Premier, and Minister for the Western Territories. Up to 1948, Gomulka had been the most popular of the Communist leaders, because he had organised the underground resistance, inside Poland. The successful settlement of the Western Territories had been very much his achievement. In his writings and speeches he had been the chief exponent of people's democracy, and it was his theory of its meaning—the Polish way to Socialism—that led him to support Tito against Bierut and Berman. His attitude caused a long-drawn out Cabinet crisis in July and August 1948, which ended in his recantation and resignation from his three posts. For the time, he remained in the Party, and was not expelled until November 1949.

In Bulgaria, the chief national communist was Traicho Kostov, also a key man, for seventeen years a member of the Party's Central Committee, a former Secretary of the Party and Deputy Premier. In April 1949 he was dismissed from his post and then arrested in July, on a charge of having withheld economic information from the Soviet Union, of having 'violated the principles of collective leadership, and of having adopted a wrong policy towards the middle peasants, driving them away from the workers'. In Hungary, it was László Rajk, the Hungarian Minister of Foreign Affairs, who took the national communist line. He was arrested in July 1949, with several other leading Communists and two Army Chiefs.

Up to August 1949, national communism was regarded as deviation, not treason; and, as the case of Gomulka showed, recantation was possible. The war of words between the Soviet Union and Yugoslavia was becoming more vindictive, but the dispute remained within the sphere of party polemics. In foreign policy, the appearance of unity was maintained, and up to April the Soviet Union was supporting the Yugoslav claim to Carinthia, in the discussions on the Austrian Peace Treaty.

But when Tito turned to the West for economic aid, and in order to secure it ceased to aid the Greek guerrillas, the Soviet attitude changed. On August 12th, a Soviet note attacked the Yugoslav Government as an 'enemy of the Soviet Union, bound to the camp of the foreign capitalists'. In the east European capitals, the typical Balkan midsummer rumours circulated; an eight-weeks plan to overthrow Tito, movement of Soviet divisions on the Yugoslav borders in Rumania and Hungary; and a coming revolt in Yugoslavia.

What happened was almost as sensational. On September 16th, 1949, the trial of László Rajk and seven accomplices on charges of conspiracy and treason began in Budapest. To appreciate the significance of this trial for Hungary, it must be recalled that Rajk, up to 1948, had been one of the three leaders of the Communist Party in Hungary, bracketed with Rákosi and Gerö. As Minister of the Interior he had controlled the Security Police, and had been directly responsible for the liquidation of the Nagy Plot in 1947. Within the party he was popular, because, unlike the other two leaders, he had played a part in the resistance movement inside Hungary during the war. That there was a struggle for power between him and the other leaders was known in Hungary in August 1948. Then he was removed from the Ministry of the Interior, on his return from a visit to Moscow, and became Minister of Foreign Affairs, till his arrest in June 1949. Now, in the dock, it was this man, regarded by the opposition as the most fanatical and ruthless of the Communists, who told a story of treachery to the Communist Party going back for nearly twenty years, to the time when as a young Communist he had been forced to make an agreement with the Horthy police to act as a police spy. For several years he had betrayed his comrades to arrest and execution, and then, fighting in Spain, had been expelled from the Communist Party for Trotskyist activities. Through many long ramifications involving help from the Gestapo and American agents, this first treachery led him to conspire in 1947 with Ranković, who 'organised' him on the basis of a photostat copy of the old agreement with the Horthy police,

to join Tito's plot to overthrow all the people's democracies, and restore capitalism. Finally, after the Cominform quarrel with Yugoslavia, at a secret meeting in Hungary in October 1948, Ranković had instructed Rajk to organise a putsch to kill Rákosi, Gerő, and Farkas.

It was a strange and enthralling story, varying in atmosphere from Greek tragedy, with the American intelligence as the Eumenides, to the cheapest Balkan thriller. Most terrible was the manner of its telling, for Rajk drove home every point against himself with merciless logic. It is internally consistent; it cannot be dismissed as lies. Yet if the earlier part of the story was true, how was it possible that Rajk should have become Minister of the Interior in 1946, and hold the key post in the Hungarian Government during the most critical time? The only possible explanation is that Rajk had played a part in the resistance which exonerated him from his past; but this the evidence does not mention. Ultimately, it is the consistency and coherence of the confession which makes it puzzling, since it obviously omits so much. One explanation is that its motive was expiation, the last service to the cause; but it can equally well be interpreted as revenge. For certainly the trial had a shattering effect in Hungary; Rákosi himself admitted that it was with consternation that he had heard the revelations. Two leading Communists stood trial with Rajk, Szönyi, chief of the cadres, and his deputy Szalai; only a few months before, they had organised a great purge of the party. All three were executed soon after the trial, as also was Pálffy, an ex-Horthyite Army Chief, and his subordinate, Korondy, involved in the putsch conspiracy.

The purpose of the trial was to incriminate Tito; to prove that Tito, through Rajk, Gomulka, Kostov, and unnamed Czech Communists, had conspired to overthrow the other communist governments, and that Tito had been an agent of Anglo-American imperialism from the first. 'The imperialists are the accused in the first instance,' said Rajk's counsel at the end of the trial, 'László Rajk was only an instrument in their hands.' The proof that Tito was an Anglo-American agent

from the first rested only on the presence of the British Military Mission at Tito's headquarters during the war. The only witness to give evidence on this point was a minor Yugoslav diplomat named Brankov, who at the time of the Cominform decision had resigned his post, according to his own explanation, on Tito's own instructions. All his evidence is unconvincing, and only makes sense to those who can believe that Tito was really Mihailović.

The trial carried the implication that all those mentioned by name as Tito's allies in the conspiracy—Gomulka, Kostov, and unnamed Czechs, must also be tried on treason charges. Kostov was tried with several accomplices in December 1949. He denied his guilt, but received the death penalty and was immediately executed. Gomulka has not been tried as yet, nor have the unnamed Czechs.

The Rajk trial was followed by the cancellation of all the Treaties of Agreement between Yugoslavia and the other east European Governments. Immediately after it ended the Yugoslav Government at the United Nations' Assembly (on September 21st) voted against the Soviet Union. As a result in October Yugoslavia secured election to the vacant place on the Security Council assigned by custom to the eastern bloc, against Czechoslovakia, the Soviet nominee.

There for the moment the matter rests. So far, the results have been economically disastrous for Yugoslavia, without apparently causing any open political reaction within the country, though some opposition to Tito inside Yugoslavia certainly exists. Immediately after the Party Congress in July 1949, several Ministers in the Governments of Bosnia and Montenegro were dismissed from their posts, and some of them arrested. Another eminent Communist, Professor Marković of the University of Belgrade, has been arrested also. But a revolt would lack leaders; for the two men who might have led it, Hebrang and Žujović, are still in prison; they have never been brought to trial, as Tito in 1948 declared they would be. General Jovanović, another potential leader, was shot while crossing the Yugoslav frontier in 1948.

REVOLUTION IN EASTERN EUROPE

What the ultimate outcome may be is impossible to forecast. In some form or another, this conflict was bound to arise, and it presents an insoluble dilemma. Without the alliance with the Soviet Union, the revolution could never have been carried through, the industrial development of the region could never have begun. The Western Powers, had they had any real influence, would certainly have restored near-Fascist regimes, as they had done in Greece. To break the Soviet alliance, as Tito has done, means to strike a blow against socialism, against the planned development of the region, and to open the way for a return of the past. For Tito, even if he wishes, does not really represent a middle way or third force; his claim to be the one real communist, forced against his will into collaboration with the capitalists, is obviously absurd. The revolutionary turned nationalist is nothing new in eastern Europe. As the Polish Socialists were quick to point out, he proves only that communists, no less than socialists, can produce a Pilsudski. The game of small nations is a game for the Great Powers to play; the small nations are always the losers. To be the chessboard for the Great Powers has always been the curse of eastern Europe.

Yet, of course, there is a sense in which national feelings must be taken into account. In the first phases of the revolution, the Communists gained popular support because they could offer the prospects of a better life to the mass of the people and a hope for the future as no other party could. There had been no sign of Soviet intervention, and the Communists were leading in a struggle against the forces of reaction which represented a return to the past. For that struggle to be genuine, it had to spring from the people's own conviction that they had control of their own affairs. If it appeared that the Communist Parties were simply carrying out Soviet orders, there could obviously be no real struggle.

When the decision to socialise farming was known, it, certainly appeared to mean that the Communist Parties were working on Soviet orders, since there was certainly no popular demand for collectivisation and, at that time, no pressing

economic need to begin it, however necessary it may be as a long-term development. The pace of collectivisation has been very slow, and all that has been done to date could easily have been done without a declared change of policy. In retrospect, the decision seems to have been a political rather than an economic necessity. By early 1948, the bourgeois opposition had been defeated and the Communists were in effective control. The east-west conflict had entered into what seemed a very dangerous phase. The Soviet Government needed to test the loyalty of the Communist Parties to consolidate the revolution; and the decision to collectivise was the supreme test, the *credo quia impossibile*. That it was so is proved by the dissension which it caused; it meant throwing away the support which the Communist Parties had gained by the middle way conception, the half-revolution on national lines. Any Communist who opposed it could be sure of an immense increase in his personal popularity, and might succeed in gaining the leadership of the party. That this opposition was spontaneous, in each case, seems obvious enough; but, in the international situation of 1948, and in its actual results, it was necessarily interpreted as the result of conspiracy engineered by the West. At bottom, the conflict arises from the need for carrying out the revolution in a national framework; and to see how deep it goes it is necessary to look at the changes in the nationality problem since 1945.

CHAPTER IV

NATIONALISM

BETWEEN the wars, nationalism was the curse of eastern Europe—a political curse, in that the national grievances, real or unreal, provided pretexts for oppressive rule and strong points for Nazi domination—and an economic curse, in that the national tariff walls were an obstacle to development.

The principle of national self-determination, as applied in the 1919 peace settlement, had not provided a solution. It was not consistently enforced; pro-allied nationalities were favoured, at the expense of enemy nationalities. But the real weakness of the principle was not that it was applied unjustly, for on the whole it did right more wrongs than it created. It was simply not workable. The populations were too much mixed up. There were Polish towns in Ukrainian country, German ports with a Polish hinterland, Hungarian islands deep in Rumanian territory. The literature of the last peace conference bristled with 'problems': Danzig, Memel, Teschen, the Corridor, Transylvania, and they all arose from the same cause—the attempt to fit tidy national States on to an untidy patchwork of nationalities. Language frontiers ran across economic regions, creating a 'problem' in the whole Danube basin. The 'problems' were inevitable: even if the frontiers had been better drawn, there was simply no way of drawing them which would have created homogeneous national States and left everybody in the country to which by nationality they belonged. The minority treaties, designed as a safeguard, did not work; only Czechoslovakia respected their conditions.

When the balance of power shifted in Europe, Hitler could turn the whole settlement upside down, and destroy its keystone, Czechoslovakia, by invoking the principle of self-determination itself. During the war, the map was re-drawn again: Poland, Czechoslovakia, Yugoslavia were dismembered:

Hungary got slices of territory from Rumania, Czechoslovakia, and Yugoslavia, Bulgaria got Macedonia and Eastern Thrace. In all these changes, Hitler could count on the support of the extreme nationalists, and the final results of pushing the national claims to extremes was subjection to Nazi Germany. In one sense, therefore, the 1919 settlement had not been national enough: it had offered no way of reconciling the claims of national minorities with national majorities. In another sense, it had been too national: it had conceived of political freedom entirely in terms of national independence, and it had found no way of removing the root causes of the conflicts.

In 1945, the map of eastern Europe was once again redrawn. The changes which Hitler had made were wiped out, and the frontiers of 1919 were in the main restored. The big changes were the new Soviet border, now much farther west, and the new Polish-German frontier on the Oder. The changes in frontiers were not so great as in 1919. But the movements of population resulting from the Potsdam Agreement have been vast, totalling some twenty million people. They have been far larger in scale than the comparatively small population transfers which followed the last peace, and are certainly the greatest which have ever occurred in European history.

Looking at the changes on the map, the new settlement seems to have been inspired by an even more nationalistic conception than that of 1919. The great change has been the expulsion of the Germans from all eastern Europe. This was one of the major points decided by the Potsdam Conference. 'The three governments', read the decision, 'having considered the question in all its aspects, recognise that the transfer to Germany of German populations, or elements thereof, remaining in Poland, Czechoslovakia, and Hungary, will have to be undertaken. They agree that any transfers that take place shall be effected in an orderly and humane manner.' The Germans expelled were to be distributed among the different zones of occupation, by agreement between the three Powers. The impetus for this expulsion came from Soviet



NATIONALITIES IN 1937 & FRONTIER CHANGES 1937-1945

100 0 100 200 300 Miles

Present Frontiers ————— 1937 Frontiers now changed - - - - -

Germans Poles Czechs & Slovaks Ukrainians & White Russians.
Hungarians... South Slavs... Rumanians.....

NATIONALISM

Russia, supporting the demands of the Czech and Polish Governments: the Western Powers agreed, though Britain at an earlier stage had opposed the mass expulsion from Czechoslovakia. As a result of this decision, between ten and eleven million Germans were expelled, including the German minority in Yugoslavia, which was not mentioned by the Potsdam Agreement. Exact numbers cannot be given, because many Germans had fled, or been driven out early in 1945, before the Potsdam decision was reached. The majority were expelled during 1946. Roughly the total numbers expelled may be estimated as follows:

From the territories newly acquired by Poland	7,000,000
From the territories of former Poland	1,000,000
From Czechoslovakia	2,100,000
From Hungary	200,000
From Yugoslavia	500,000
Total	10,800,000

To fill up the territories left by the Germans about five million Poles have moved to the west and north-east, and about 2·5 million Czechs have moved into the Sudetenland (officially now described as the Border Region). The Slav frontier has moved westwards, to where it ran in the twelfth century. After seven centuries, the *Drang nach Osten* has been reversed.

The other big change on the map is the new position of Poland. As a result of the new Soviet-Polish frontier, agreed at Yalta, and the new Polish-German frontier, provisionally agreed at Potsdam, Poland has been shifted bodily westwards. In the east it has lost the territories inhabited mainly by Ukrainians and White Russians, and in the west it has gained large accessions of territory from Germany. The new eastern frontier between Poland and Russia is not, historically speaking, a new frontier; it follows the 'Curzon line', i.e. the line accepted at the Paris Peace Conference in 1919, as corresponding as closely as possible to the ethnological frontier between Poles and Ukrainians and Poles and White Russians. That decision was reversed

by the Polish-Soviet Treaty of Riga in 1920, after Pilsudski (with some allied help) had defeated the Soviet Army and conquered parts of Ukraine. The Polish frontier was then fixed far to the east of the 'Curzon line' and included Ukrainian territory. The frontier as agreed at Potsdam therefore corresponds to the line which the 1919 Conference originally accepted as the ethnological frontier. It left about half a million Ukrainians and White Russians on the Polish side, and about a million and a half Poles on the Russian side. These populations have now been transferred, and the frontier is now strictly ethnological.

The new western frontier of Poland was provisionally fixed at Potsdam to follow the Oder-Neisse (Nysa) line. It gives Poland the port of Stettin (now Szczecin), the great heavy industry of Lower Silesia, and the city of Breslau (now Wroclaw). The final delimitation of this frontier was to await the signing of the peace treaty with Germany, which has not yet taken place.

The effect of these changes on the map has been a vast tidying up of the minority populations. Before 1938 the national minorities in eastern Europe numbered in all some 25 million (including 3·6 million Jews) out of a total population of some 90 million (according to the census results of 1930-31). Of these the largest groups were:

- (1) 6 million Germans (3·2 million in Czechoslovakia, 1 million in Poland, 500,000 in Hungary, 800,000 in Rumania, 500,000 in Yugoslavia).
- (2) 5·4 million Ukrainians and White Russians (4·3 million in Poland, 500,000 in Czechoslovakia, and 600,000 in Rumania).
- (3) 2·7 million Hungarians (1·5 million in Rumania, 700,000 in Czechoslovakia, and 500,000 in Yugoslavia).

All these minorities had been a source of national conflict between 1919-1939. The grievances of the German minorities in Czechoslovakia and Poland had been the pretext for the European upheaval. German minorities elsewhere were smaller, and could not be used so decisively; but when the

NATIONALISM

New Order was established in eastern Europe they gave it valuable support. The Ukrainian minority in Poland never became the source of international conflict, though it was certainly the most cruelly treated of any minority: the Ukrainians themselves never acquiesced in their subjection to Polish rule, nor did the Soviet Union ever abandon its claim to the Curzon line frontier. That the European upheaval began where the minorities were best treated, and not where their case was most cruel, is a bitter commentary on the 1919 peace settlement.

Now, as a result of the expulsion of the Germans, and the changes in the Soviet frontier, the German and Ukrainian populations no longer exist as minorities. There is still a small German minority in Hungary: of the total of some 450-500,000 Germans in Hungary only some 200,000 have been expelled. Those who were expelled were the *Volksdeutsche*, i.e. those who at the last census returned themselves as being German both by citizenship and language, while those who returned themselves as Hungarian by citizenship and German only by language have been allowed to remain. The only German minority which has not been expelled *en masse* are the Saxons in Rumania. Some 50,000 out of a total of 500,000 fled to Germany and Austria in 1944, but no general deportation has ever been proposed.¹ Apart from these two small groups, there are now no German minorities in eastern Europe.²

The Ukrainian minorities are now all included in the Soviet Union. The new Polish-Soviet frontier and the population exchange transferred the former Ukrainian minority in Poland to Russia. The easternmost corner of Czechoslovakia, the little Ukrainian province of Sub-Carpathian Ruthenia, was transferred to the Soviet Union by the Czech-Soviet agreement of June 1945. The Ukrainians in Rumania were included

¹ See Elizabeth Barker, *Truce in the Balkans*, Percival Marshall, 1949, p. 165.

² The Germans from the zone of eastern Europe occupied by Russia in 1939-40, i.e. from eastern Poland and from Bessarabia, Northern Bukovina, and the Dobrudja, were transferred to Germany under the German-Soviet agreement of 1940. Their numbers amounted to about 500,000.

REVOLUTION IN EASTERN EUROPE

in the Soviet Union by the Peace Treaty with Rumania in 1947, which incorporated Bessarabia (a racial mosaic, in 1930 fifty-six per cent. Rumanian) and Northern Bukovina (Ukrainian) in the Soviet Union.¹

The only large minority groups now remaining outside their own national frontiers are the Hungarians in Czechoslovakia, Yugoslavia, and Rumania.

If the homogeneous national state is the ideal political form, then the new states of 1945 are much nearer to the ideal than the new states of 1919. The peacemakers of 1945, judged by results, had decided that it was impossible to make the frontiers fit the populations; therefore, if the national state was the ideal, the populations must be moved to fit the frontiers. The minority problems must be solved by getting rid of the minorities. In their acceptance of this principle the Great Powers in 1945 were far more ruthlessly nationalistic than the Allies in 1919.

The new states are racially far more homogeneous. Poland is now entirely so, while before the war the minorities formed one-third of the total population. Czechoslovakia is now predominantly a Slav State, with a population of twelve million as against nearly fifteen million before, of which four million were minorities.

The new policy meant nationalism with a vengeance. Before 1938, even the most extreme Czech nationalist did not dream of driving the Germans out of Bohemia; even the most chauvinistic Pole did not regard Stettin and Breslau as Polish cities. Yet in 1945, the expulsion seemed a necessity. In Czechoslovakia, the grievances of the Sudeten German minority had been worked up by Hitler into a pretext for the Munich Agreement which sanctioned the cession of the Sudetenland to Germany. The grievances of the Sudeten Germans were slight, for the Czechs had genuinely believed in, and genuinely applied, Masaryk's conception of a liberal multi-national state, with equal political rights for the minori-

¹ The new frontier with Rumania on the River Pruth restores the frontier between Russia and Rumania as it was between 1878 and 1917.

ties. But it was that very conception which Henlein had used to overthrow Czech democracy: in the name of democracy and of self-determination he emerged in 1935 with two-thirds of the German vote as the leader of the largest single party in the republic. The lesson that the Czechs had learnt was that it was impossible to live in the same state as the Germans. It was not a question of revenge—the Czechs were too sophisticated and too humane to feel satisfaction at the expulsion. At the time of the expulsion in 1946, the Czechs showed no elation—the feeling was simply that ‘they must go’. It was primarily an anti-national and not an anti-Fascist measure. To the Czechs in 1945 the distinction meant very little, though in 1938, when a large German minority had sided with the Czechs against Henlein, it had meant a great deal. In theory those Germans could remain who could produce evidence of anti-Fascist activity. In practice only Communists, and not many of them, were allowed to remain; in the first months all Germans were expelled without discrimination. About 200,000 Germans in all were allowed to remain, most of them on the grounds of industrial necessity, and not on the grounds of the political test.

The experience of the Poles had been on a different plane, inconceivable in nineteenth-century terms. For them the expulsion of the Germans was the price of blood. It was revenge for the destruction of Warsaw, and the death of six million Poles. To the Poles, a democratic German was, and still is, a contradiction in terms. Officially the Poles refer to the new accessions in the West and in East Prussia as the ‘regained territories’, which is historically accurate, for they have been regained after nine centuries. But actually the ancient claim does not mean much to the ordinary Pole, who says, ‘We have got a part of Germany’. From the Russian standpoint the gain of the western territories was essential to friendly Polish-Soviet relations, because it compensated for the loss of the Ukrainian territories in the east: the traveller in Poland to-day may hear an occasional lament for Lwów, the ancient Polish city in a Ukrainian countryside, but it is not a general

REVOLUTION IN EASTERN EUROPE

grievance, though it would have become one had there not been the great accession of territory in the west.

The expulsion of the Germans fitted in with two things which in 1945 ran together: the Soviet conception of a Slav bloc, and the national feelings of Czechs and Poles. In one sense, it was the apotheosis of the idea of the nation state, giving citizenship to the dominant nationality only. It was not of course self-determination: it was a solution by force.

And it was, of course, no solution. Ten million expelled Germans inside Germany could be just as much a threat to European peace as ten million Germans scattered over east Europe. The German minorities in Poland and Czechoslovakia had not been a threat to peace at all until Hitler appeared: they were a pretext and a pretext only. For the Czechs and the Poles, it was necessary to get rid of the Germans: it was impossible in 1945, and would be impossible for long after, to treat Germans as equal citizens. But obviously expulsion did not solve the problem of what to do with Germany: it only passed it for action to the Great Powers.

Nor, of course, could the drastic principle of tidying up the map be generally applied as a means of settling the other national questions. The Germans were not the only source of national conflict in eastern Europe; before 1938, they were not even the main source. Among the other pre-1939 storm centres, the more important were the cold war between Hungary and its neighbours about the revision of the frontiers: the internal conflict between Serbs and Croats in Yugoslavia: the endless quarrel between Yugoslavia and Bulgaria about Macedonia. These were conflicts which could not be settled by mass expulsions or by new frontiers. Like the grievances of the German minorities, they were the symptoms of a disease, rather than the disease itself. At bottom, they were not national conflicts at all, in the sense that they did not arise from implacable hatreds between peoples. They were largely the projection of a ruling class outlook.

The clearest case was the conflict between Hungary and its neighbours. Here, national self-determination would have

justified revision of the frontiers to include Hungarian minorities inside the Slovak, Yugoslav, and Rumanian borders. But what the Horthy regime stood for was not that: it stood for the claim of the Hungarian upper class to rule not only its own peasants, but all the former subject nationalities in the territories of St. Stephen's Crown. The Hungarian 'nation' meant the upper class, not the Hungarian peasants, who were more interested in getting land from their own landowners than from Rumanians or Yugoslavs. But Hungary's national wrongs could be used to divert attention from the wrongs of its own peasantry.

In Bulgaria and Yugoslavia, the dictatorships lived and thrived on the national conflicts. Macedonia was whipped up into a storm centre between Yugoslavia and Bulgaria because King Boris needed the Macedonian terrorists to keep down the popular forces inside Bulgaria. In Yugoslavia, the royal dictatorship was a means of enforcing the dominance of the Serbs over the Croats and other nationalities.

If the nerve centres of nationalism, the Hungarian upper class, the royal courts in Sofia and Belgrade, were removed, would not the peoples find that they could get on together? Would not the revolution itself be the means of wiping out the national conflicts, by destroying the roots from which they sprang?

Certainly up to 1948 it seemed as if a new principle were at work. Most of the national conflicts appeared to have been surmounted by the change in the character of the governments. The most striking change came in Hungary's relations with its neighbours. By the 1947 peace treaty, Hungary lost all the territory it had gained from Hitler, the small slices of Czechoslovakia and Yugoslavia, and the large slice of Rumania. The frontiers of 1947 restored the frontiers fixed by the Treaty of Trianon in 1919,¹ and therefore left the Hungarian minorities still outside Hungary. But the Hungarian ruling class was

¹ With a minor rectification which gives Czechoslovakia a small piece of territory on the south bank of the Danube to extend the port of Bratislava on the other side of the river.

REVOLUTION IN EASTERN EUROPE

no longer in the picture, and no more was heard of Hungary's territorial claims. In Yugoslavia, the once insurmountable antagonism between Croats and Serbs has been genuinely overcome. Even the question of Macedonia, for fifty years *the* Balkan question, seemed to have been solved in 1947, when Marshal Tito and Georgi Dimitrov signed the Bled Treaty of Mutual Friendship and Co-operation. These were outstanding examples of success, and others could be given—between Czechs and Poles, for example, engaged in joint planning in Silesia. The new governments had apparently succeeded in reconciling conflicts which had hitherto been irreconcilable, and in no artificial way.

But behind this apparent success in reconciling the national conflicts there was a danger. There were really two principles at work. One was the principle which seemed to have achieved success in Hungary, Yugoslavia, and Bulgaria—the revolutionary principle of overthrowing the forces which kept the national conflicts alive, by destroying the class basis of society, and finding a new basis for agreement between the peoples. The other was the principle of out-and-out nationalism. In Poland and Czechoslovakia, the revolution had been allied with nationalism, and the Communists had come to power on a coalition programme which asserted extreme national claims. The key point in the Košice programme of the Czech Government was the creation of a Slav State, and the expulsion of the German and Hungarian minorities. The key point in the Lublin programme of the Polish Government was the claim to the new western frontier of Poland. In Yugoslavia, the sublimation of the internal conflicts was achieved by a vigorous assertion of territorial claims to Trieste, Istria, Slovene Carinthia, of which only part of the claim to Istria had been satisfied by the Allied agreement of 1946. All these governments were no less nationalistic, on these points, than the governments of 1919-1939.

Sooner or later, it was inevitable that the national and the revolutionary principle would conflict. Clearly the revolution could not eliminate the source of aggressive nationalism in

NATIONALISM

some countries, while in others it thrived on the assertion of national claims. Logically, the first principle implies that national conflicts are the outcome of class society, and will disappear when the class basis of society is removed: the second implies that the class struggle may result in the victory of nationalism. In the first stages of the liberation, when German or Fascist domination meant the same thing, it was inevitable that nationalism and revolution should go hand in hand. But once the German occupation was ended, the union could not be maintained, and a conflict sooner or later was bound to arise.

An interesting example of the way in which the two principles came into conflict was the dispute between the Czech and the Hungarian Governments, on the question of the expulsion of the Hungarian minority from Czechoslovakia. In the original Košice programme, the Czechoslovak National Front Government had decided to expel all minorities, Hungarian as well as German; and in the new constitution it was intended to grant rights of citizenship only to Czechs and Slovaks.¹ This meant that the Hungarian minority along the Slovak border was scheduled for expulsion, and was to be deprived of all political rights. This expulsion had not been sanctioned by Potsdam, and, except on the purely national principle, it was impossible to justify. It was true, of course, that Hungary had been just as much an enemy of the old Republic as Germany, and that the leaders of the Hungarian minority in Czechoslovakia had been Fascist. But these leaders had been tried as war criminals. Now that the old regime in Hungary had been overthrown it was not likely that a few hundred thousand peasant families could be a political danger to Czechoslovakia.

¹ 'The new Constitution will emphasise,' said Premier Gottwald in 1946, 'that the republic is a national state of Czechs and Slovaks. The transfer of Germans and Hungarians and the re-settlement of the border district by Czechs and Slovaks must culminate in a constitutional guarantee that only the Czech and Slovak nations will in future decide in all public and national affairs; the civic rights of other Slav nationals will be safeguarded.' (*Statement of Policy of the third government of the National Front of the Czechs and Slovaks in the Constituent National Assembly, July 8th, 1946.*)

REVOLUTION IN EASTERN EUROPE

There was no deep hatred between Hungarians and Czechs as there was between Czechs and Germans: it was rather an antagonism between the outlook of the former governments, the mutual contempt of aristocrat and bourgeois. But though the Hungarian Government was no longer aristocratic or chauvinistic, the Czech Government insisted on the expulsion of the Hungarian minority. The Hungarian Government opposed it on the ground that the economy could not support additional numbers, since the land reform had not been able to provide enough land even for the existing applicants in Hungary.

Attempts to settle the question at the Paris Peace Conference in 1946 were a failure. Up to 1948 no agreement could be reached by direct negotiation between the two countries: there were sporadic expulsions, totalling about 100,000 Hungarians, frontier clashes and raids. The tenor of the whole dispute was that of the 1920's, but with the rôles reversed, the Czechs intransigently nationalist, the Hungarians appealing to the spirit of Masaryk.

After the February revolution in 1948 in Czechoslovakia, the policy of the Czech Government immediately changed, and the question of the Hungarian minority was quickly settled. During the winter of 1947-48 the expulsion of Hungarians had been suspended, and in January 1949, the Czechoslovak Assembly decided to restore full civil rights to the Hungarian minority, and to allow it to remain permanently. The decision was a prelude to a general Treaty of Friendship and Mutual Assistance between Czechoslovakia and Hungary in April 1949. Symptomatic of the same change in policy was the Czech Government's decision, in June 1949, to give rights of citizenship to the Germans who remained. This also meant a revision of the Košice programme, though only 200,000 Germans were affected.

The new policy of the Cominform, decided in September 1947, meant in effect that the alliance between Communism and nationalism must be broken. It meant a return to the older conception of the international unity of the working

NATIONALISM

class. In 1918, the Socialist and Communist Parties in all these countries had believed in theory in socialist internationalism, though in practice they had found this policy hard to maintain, particularly in Czechoslovakia and Poland. Even the Peasant Parties, in their first revolutionary phase, had believed in an international peasant movement, though it never materialised. The old generation of peasant leaders in Yugoslavia and Bulgaria had talked about South Slav unity and meant it. The national state had triumphed, because it fitted in with the liberal outlook of the peacemakers, but the workers' parties had never abandoned their belief in internationalism.

Yet in 1947 it was not easy to return to that conception. Eastern Europe had experienced Fascism, nationalism in its most extreme form. The alliance between the revolutionary and nationalist elements had been strong, and before 1947-48, it would have been impossible to break it. So long as the bourgeois opposition was an organised political force, the danger was that it would be able to mobilise national feeling on its side. Had the Communists in Czechoslovakia opposed the expulsion of the Germans, they would certainly never have gained the largest vote at the 1946 elections. Had the Polish Communists not been able to claim Soviet support for the new western frontier, certainly the opposition could have worked up anti-Soviet feeling much more than it did. But by 1947-48, the bourgeois opposition was defeated, and that danger was less serious.

None the less, the alliance of the revolutionary and national elements was difficult to break, and where it was complete, in Yugoslavia, the government refused to break it. National Communism meant that nationalism had appeared in a new form, the claim to the right to pursue a policy in home and foreign affairs independent of Moscow. At the same time, it meant that nationalism in the old form revived also. Immediately after the publication of the Cominform communiqué, the old Macedonian bone of contention buried at Bled in the previous year was again dug up. The Bulgarian Government accused the Yugoslav teachers (who had been

REVOLUTION IN EASTERN EUROPE

admitted into Bulgarian Macedonia under the terms of the Bled Agreement) of making Yugoslav nationalist propaganda in favour of uniting Pirin (i.e. Bulgarian) Macedonia with Vardar (i.e. Yugoslav) Macedonia. Both governments now accuse the other of trying to annex the other's share, as they have been doing since 1913. Marshal Tito in August 1949 accused the Bulgarian Communists of 'postponing the fusion' of Bulgarian and Yugoslav Macedonia, which suggests that he had in fact been aiming at annexation, since Yugoslav Macedonia is the lion's share, and is a constituent republic in the Federal State. In January 1950 the Bulgarian Communists accused Tito of opposing South Slav Federation, to which their party is still attached. Whether Macedonian nationalism is a factor that will fight on Tito's side remains to be seen. In any event, it is not likely to be a decisive factor in the conflict, for the pro-Cominform Government of Bulgaria cannot use it as a nationalist weapon to cast out nationalism.¹

In its wider aspect, the conflict between Tito and the Cominform meant that nationalism can again be used by the West as a counter in the struggle for power in eastern Europe. Whether or not in its new form it can defeat the revolution depends on the economic plans. If they can succeed in their aim of raising the living standard for the peoples of this region, and creating a belief in the future, then nationalism as a reactionary force will lose its appeal. It is the plans, and not the frontiers, which are the basis of the new eastern Europe. In terms of frontier changes, the question of whether the present set-up is likely to succeed better than the old has no meaning. What the region wants is not new frontiers, but new power stations; not a static 'settlement', but a dynamic principle for developing its resources.

¹ For a detailed and up-to-date history of the Macedonian question, see Elizabeth Barker, *Macedonia*, Royal Institute of International Affairs, 1950; and for the 1945 negotiations for federation, see the speech by Moše Pijade, in *The Yugoslav 1950 Budget, Parliamentary Debate*, published by the Yugoslav Embassy in London.

CHAPTER V

THE PLANS

THE object of the plans is to raise the standard of living—to break the old vicious circle of agrarian poverty, backward industry, and rural unemployment, by forcing the pace of industrial development. For industrialisation, it was recognised long before 1945, was the chief thing that eastern Europe needed. On the one hand, there was the surplus of labour on the land, amounting to about sixteen million out of a total farm population of sixty million.¹ On the other hand, there were great undeveloped natural resources. East Europe is not naturally poor; it is richer in oil, and in mineral deposits, than western Europe; its coal resources represent forty-two per cent. of the total European reserves.² Its water power resources are enormous, and almost unutilised. What the whole region needed was the industrial revolution, and what it lacked was capital and the impetus to develop. The plans now provide both the impetus and the capital for transforming the agrarian half of Europe into an industrial economy. They are the framework for the industrial revolution.

In tackling this task, there have been two stages, the short term plans for recovery, which ran from 1947 to 1948-49, and the long term plans for development, which began in 1949 and 1950.

The Short Term Plans

In the first stage of planning, the short term plans, the aim was recovery to pre-war levels. There were four such plans;

¹ Estimate from *Memorandum on Agricultural Surplus Population in Eastern and South-Eastern Europe*, prepared by the Committee on Reconstruction, a research group of the Royal Institute of International Affairs. See Appendix, Table II, for figures.

² E.C.E., *Report of Ad Hoc Committee on Industrial Development and Trade*. 1948. Appendix C., Coal.

REVOLUTION IN EASTERN EUROPE

the Czechoslovak Two Year Plan (1947-48); the Bulgarian Two Year Plan (1947-48); the Hungarian Three Year Plan (subsequently shortened to two and a half years, from mid-1947 to 1949); and the Polish Three Year Plan (1947-49). In Yugoslavia there was no short term plan; the Five Year Plan (1947-51) included both recovery and development.

These plans were not intended to be more than range-finders for the real development schemes to follow. In 1945 and 1946 national incomes and living standards had fallen far below the pre-war level. There had been heavy devastation in industry and transport, and great destruction of livestock during the war—worst in Poland and Yugoslavia, amounting to half the pre-war herds, fairly serious in Hungary, less serious in Czechoslovakia and Bulgaria. In these conditions it was not possible to start off with development plans; the immediate necessity was to restore production as quickly as possible to pre-war levels, to get the railways working, the factories back into production, and the land cultivated. In this first stage, the blue print was the pre-war pattern of production, with some industrial expansion. The general targets were:

(1) In industry, expansion to a level above the pre-war—in Czechoslovakia to ten per cent. over 1937, in Hungary twenty-seven per cent., in Bulgaria sixty-seven per cent. In Poland, the target was recovery to the pre-war level of industrial production, both in the territories of former Poland and in the newly-acquired territories, which meant an increase of about fifty per cent. above the level of industrial production in the old Poland.

(2) In agriculture, recovery to the pre-war level of production or to some percentage of it; in Czechoslovakia to the pre-war level, in Hungary to ninety per cent., in Poland to eighty per cent. of the pre-war level; while in Bulgaria, where agriculture was less devastated, the target was thirty-four per cent. over pre-war. The rate of recovery was expected to be slower than in industry, because the shortage of livestock made it difficult even to cultivate the pre-war area.

In industry, the plans were successful. The rate of industrial

THE PLANS

expansion was achieved, even exceeded.¹ All the countries succeeded in achieving a large increase in industrial output, well over the pre-war level, and an increase in industrial employment. Most of this increase has been produced by utilising more fully the existing industrial capacity, rather than by new construction. In agriculture, the results were not so good. Up to 1949, the agricultural targets were not achieved, because of the bad harvests of 1946 and 1947, and though in 1949 grain production recovered to the pre-war level, the recovery in livestock still lagged behind the plan targets.

So far as the standard of living was concerned, the short term plans resulted in a definite rise in average real incomes per head over pre-war in Hungary, Poland, and Bulgaria, not in Czechoslovakia. The rise was largest in Hungary, owing to the exceptionally good food situation, less elsewhere because of the agricultural short fall. In addition to the *average* rise, there has been also a rise in the incomes of the lowest paid industrial workers, whose incomes have been levelled up by new wage scales. This large group is certainly much better fed than before, in spite of the food shortage, because they receive subsidised rations or factory canteen meals. All industrial workers have benefited by a great extension of social services—insurance, paid holidays, family allowances—which before were non-existent, except in Czechoslovakia.

So far as the peasants are concerned, the chief benefit has been the increase of employment in industry. In the short term plans it was not possible to absorb very large numbers of new workers from agriculture, except in Poland, where there has been an immense shift from agriculture to industry. But though within this period the plans could not offer any very great expansion in industrial employment, they did begin the attack on rural poverty by concentrating investment in industry in the poorest and most backward agricultural regions, in Slovakia, for instance, under the Czechoslovak plan, or among the poorest peasants, as in Hungary, where the plan provides for large investment to raise the peasants' standard of living,

¹ See Appendix, Tables III and IIIA, for the results.

REVOLUTION IN EASTERN EUROPE

in the form of village electrification, rural social services, to provide the social framework for the land reform. As in industry, the short term plans brought the most benefit to those who most needed it, the submerged class of poor peasants.

The Long Term Plans

When the recovery stage was finished, the governments embarked on the second stage, and introduced the long term plans for industrial development. These were: the Czech Five Years Plan (1949-53); the Bulgarian Five Years Plan (1949-53); the Hungarian Five Years Plan (1950-54); and the Polish Six Years Plan (1950-55). The Yugoslav Five Year Plan had already been introduced in 1947.

In industry, the aim of these plans is a great expansion of output, ranging from 50 to 100 per cent. above the 1949 level, mainly in the heavy industries. Steel production in these five countries will rise by the end of the plans to ten million tons, against five million tons in 1937. Coal production, including lignite, will rise to 184 million tons as against 115 million in 1937. Electrical power production will rise to 40 thousand million kWh against 14 thousand million kWh in 1937.

The engineering industries will expand to three times the pre-war output. Tractor production is a main feature, and by the end of the plans there should be 169,000 in operation, against 50,000 in 1946. The production of artificial fertilisers will expand to four times the pre-war level. Consumer goods industries, particularly textiles and shoes, will expand, but at rates much slower than the average.¹

This increase in industrial production is to be achieved by raising the rate of gross investment to around 25 per cent. of the national income, and by allotting the greater share of this total investment to industry. Of the total invested, about 60 per cent. will be allotted to industry and transport, and only between eight to eighteen per cent. to agriculture.²

¹ See Appendix, Table IV, for the main industrial production targets.

² See Appendix, Table V, for the total investment figures, and distribution of total investment.

THE PLANS

In agriculture, the aim is intensification of livestock production, accompanied by a degree of mechanisation, and a great increase in the use of fertilisers. In the short term plans, almost nothing was done to improve farming methods, because neither machinery nor fertilisers were available. In the long term plans, the aim is to change the cropping system, cutting down the area under grain, to provide more land for fodder and industrial crops, while producing more grain on the reduced area by higher yields. There is not intended to be a large increase in grain production; Bulgaria and Yugoslavia aim at an increase of one million tons each, Hungary at an increase of 200,000 tons, Czechoslovakia at a reduction of 200,000 tons. Before the war, the total grain output of these countries and Poland was 45 million tons, so that these increases—though large in Bulgaria in relation to its former production—do not mean a great overall change. The increased production of fodder grain is intended to speed up the rate of livestock recovery. All aim at large increases over pre-war livestock production by the end of the plans, amounting to fifty per cent. in Poland, Hungary, and Czechoslovakia. This will be the most difficult target to reach.

At the same time as the cropping system is changed, the object is to raise the level of output by machine cultivation. The increase in tractor production will provide one tractor for every 300 hectares (750 acres). The planned fertiliser production will result in a fourfold increase in consumption, giving an average of 100 kg. per hectare. Thus the long term plans will see very rapid technical progress, but still will not finish the job of transforming the farm system completely.

During the operation of the long term plans it is intended to begin the socialisation of agriculture. Only the Bulgarian plan makes collectivisation a stated aim, but the great increase in production of machinery and fertilisers will be used as a lever to raise farm production and at the same time to re-organise it.

All the plans aim at a big rise in the standard of living, measured by the national income per head, to the extent of

REVOLUTION IN EASTERN EUROPE

about 35-100 per cent. over the 1949 level. In Hungary, the target for the increase in the living standard over 1949 is fifty per cent.; in Czechoslovakia, thirty-five per cent. over 1948, in Poland, 100 per cent. over 1949.¹ This increase will be achieved by increasing investment to about double the present rate, by increasing employment in industry, and raising the level of productivity both in industry and agriculture. The increase in industrial employment will be between twenty to forty per cent. over the 1949 level; this will mean in Poland 300,000 new industrial workers, in Hungary 480,000, in Czechoslovakia 250,000, and in Bulgaria 138,000. The increase in the productivity of labour in industry will range from thirty-two per cent. to sixty per cent. in the five or six years, or from six to eleven per cent. per annum.² As a result of the increased employment in industry, the whole of the existing surplus of labour, and rather more, will be absorbed in Poland and Hungary, which will have become predominantly industrial countries, with more than half their population in industry. Bulgaria and Yugoslavia will still be predominantly agricultural countries.

These are the aims in outline; and it is easy to see that they will mean a great transformation of the economic life of the region as a whole. Though in their main features the plans resemble each other, there are important national differences. In each country the scope and nature of the change will differ, for the level of economic development is different; Czechoslovakia, for example, is already an advanced and predominantly industrial economy, with a far more productive agriculture than the rest, while Bulgaria and Yugoslavia are mainly peasant countries, with three-quarters of their population on the land. To see the real meaning of the new developments, it is necessary to review the outstanding changes country by country, and then again to take an overall view, to see how these changes are fitted in with each other, and

¹ The Bulgarian plan gives no definite target.

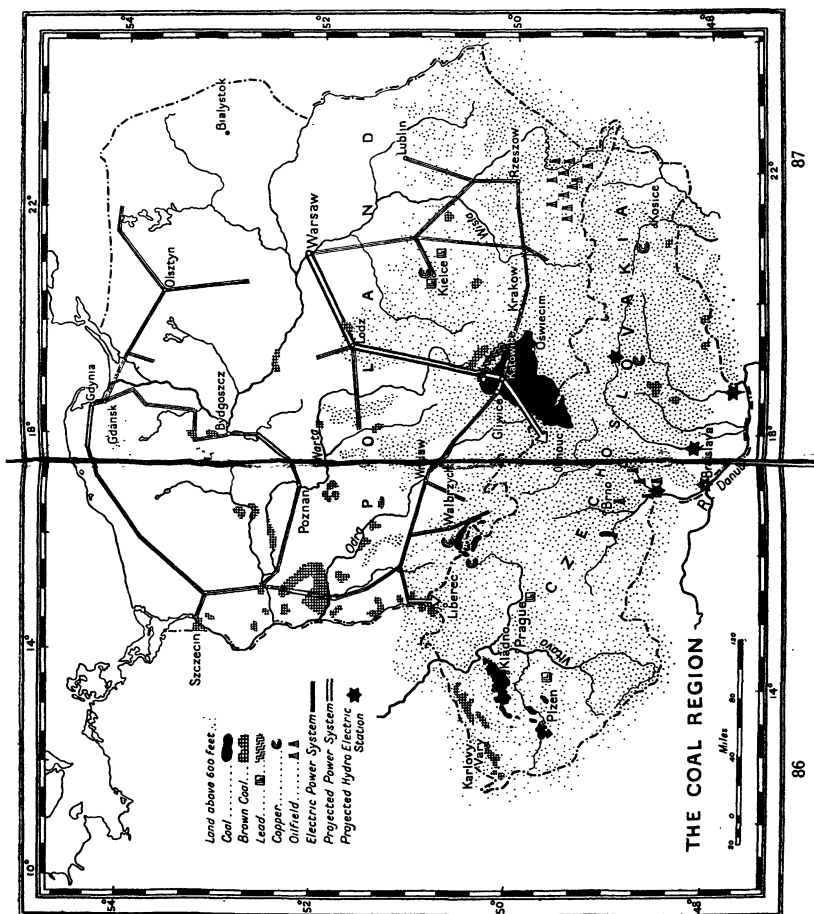
² See Appendix, Table VI, for planned increases in output, manpower and productivity.

how far there can be a plan for the development of the region as a whole.

Poland

In Poland, the new frontiers and the Three Year Plan together have already brought an immense change in economic structure. No country needed industrial development so much, for no country suffered from rural over-population on such a vast scale. In 1939, the total population was 35 million, of which $22\frac{1}{2}$ million, or sixty-four per cent. were on the land; and of this $22\frac{1}{2}$ million between five and seven million were reckoned as surplus to the needs of agriculture. In the nineteen-thirties, the south and east were regions of almost universal rural destitution and extreme congestion, where as much as half the peasant population were surplus and suffered from chronic semi-starvation. This acute and widespread poverty was a result of the low level of industrial development and also of the economic geography of the country. Even under a more progressive government than the 'regime of the Colonels', the geographical disadvantages would have been hard to overcome; the distance of the ports from the industrial centres, poor communications, and lack of resources commensurate with population made the old Poland an unwieldy state.

Now, as a result of the changes in territory, Poland to-day is a viable economic entity. As a result of war losses and the change in frontiers, the total population is much smaller, 24 million in 1948 as against 35 million in 1939. This smaller total population now exists on a territory which is smaller in size, but potentially far more productive, than the territory of the old Poland. The new territories contain the great industrial complex of Lower Silesia and the ports of Stettin and Danzig, which are connected by rail and canal both with the new industrial centre of Wroclaw (Breslau) in Lower Silesia and with the old industrial centre of Katowice in Upper Silesia. (See map on pp. 86-87.) By gaining these territories, Poland's heavy industry capacity is increased by about fifty per cent.; the new coal mines double potential production, the additional



REVOLUTION IN EASTERN EUROPE

iron and steel capacity represents a thirty per cent. increase, the electrical power capacity an increase of thirty to fifty per cent. Among the more important of the finishing industries acquired are a locomotive works, a railway wagon factory, chemical works, an artificial silk factory and spinning-mills. As against these gains, the only important losses in the industrial field are the greater part of the oil industry and the potassic salt deposits, through the transfer of territory to the Soviet Union.

So far as agriculture is concerned, the position is also more favourable. The territory lost included some of the poorest land in former Poland, covering great stretches of marshland and forest, where the scope for economic development was small and the rate of population growth very rapid. The area gained comprises about fifteen million acres of well-cultivated agricultural land, the former granary of Germany, which provided a large grain surplus in pre-war times. The total area of agricultural land within the present frontiers is some twenty per cent. smaller than before, but in spite of this reduction in area, the potential agricultural production is as large as that of pre-war Poland. Thus the new frontiers create a far more productive basis for the Polish economy.

But in 1945 and 1946 Poland was in a state of chaos. War destruction in industry had been on an enormous scale. The national income was only half the pre-war level. Movements of population in and out ran into millions. The western territories had gone out of cultivation, as the Germans left: there were vast regions where, as the present inhabitants put it, 'there was not a man nor a horse nor a bird' before they came. More than half the cattle and horse population in the whole country had been destroyed. It then seemed impossible that the new Polish State would ever succeed in making use of the land and the industry which it had acquired.

That it has been able to do so is the achievement of the Three Years Plan. The object of this plan was to shift the population on to its new geographical basis, to re-man the former German industries, and to re-settle the western

THE PLANS

territories; and on the new geographical basis to achieve a higher standard of living. The industrial target was recovery to the pre-war level of industrial production within the present territories, i.e. in the former territories of Poland, and in the new territories, while in agriculture the aim was recovery to eighty per cent. of the pre-war level in the present territories.

This aim has been achieved. By October 1949 the industrial production of present-day Poland exceeded the level of production in the old Poland by seventy-four per cent. Unfortunately, the published figures do not show how the present level of production in the present territories would compare with the pre-war level of production in the same area, so that the actual extent of the increase over the comparable pre-war figures is not shown; but there certainly has been a substantial increase over the pre-war level, since the overall income in industrial capacity was at most fifty per cent. In the course of the plan, in 1948, the industrial targets were revised upwards by ten per cent., and the agricultural targets revised downwards, as a result of the bad 1947 harvest. The industrial results are therefore more favourable than was foreseen, the agricultural results less favourable. Grain production has recovered to pre-war levels, but livestock production has not yet reached the original targets.

There has been a definite rise in the living standard. So far as industrial workers are concerned, there has been a rise in real wages of twenty-six per cent. over the pre-war level. There has been an enormous shift in man-power from East to West, and from agriculture into industry as a result of the re-manning of the German industries. Over one million new workers have been taken into industrial employment; and the balance of occupations has therefore changed. Agriculture now occupies only fifty-one per cent. of the total population (or 12 million), as against sixty-four per cent. ($22\frac{1}{2}$ million) in 1939, and industry occupies thirty-five per cent. (or $8\frac{1}{2}$ million) as against eighteen per cent. (or 6.3 million) in 1939.¹

¹ Figures from speech by President Bierut to Polish United Workers' Party on November 11th, 1949.

REVOLUTION IN EASTERN EUROPE

As a result of the change in the frontiers, the re-settlement of the western territories by about three million farmers and their families, and the industrial expansion, the rural population surplus has been greatly reduced, though certainly not completely absorbed. In 1948-49, there were said to be still about one million people (including workers and dependents) who could still be reckoned as surplus, mainly in the congested regions of South Poland. To absorb this surplus, and to keep pace with the still rapid rate of population increase will need a very energetic industrialisation drive—the object of the Six Years Plan.

In the Three Years Plan, coal was the pivot, for the export of coal and coke was intended to be the chief means of buying industrial raw materials needed for recovery. Coal production was to expand not to the pre-war level (as in industry in general) but to ten per cent. above it, with the object of reaching a total output of 74·5 million tons, and exports of 30 million tons, in 1949. (Exports from pre-war Poland averaged 20 million tons.) This result was achieved, chiefly through the system of incentive payments. The rise in labour productivity in coal was sensationally fast, from the very low level of 0·46 tons per manshift in March 1945 to 1·22 tons in 1947, when Poland again reached the highest output in Europe, as it had done in 1939. (For comparison, output per manshift in Britain was only 1·07 tons in 1947, and reached the Polish 1947 level at the end of 1949.)

Of all the plans, the Polish has so far achieved by far the most spectacular results, though it must be borne in mind that the new Poland has gained an accession of resources, as the other countries have not. Equally, it must be borne in mind that no country suffered anything like such devastation. Several factors have combined to achieve this success. One is the great reserve of labour. At the top level, there has been a clear grasp of the essential principles of planning, and in the factories revolutionary social changes have merged with the national will to recovery as the driving force.

In the next stage, the Six Years Plan, beginning in 1950, the

THE PLANS

aim is to raise the standard of living by 100 per cent. above the 1949 level, and to double the present volume of industrial production within six years. Its broad outlines were given in a speech by Hilary Minc, the Minister of Industry and Trade, at the Congress of the United Workers' Party in December 1948. From this speech and from information which has appeared since in the Polish press, it appears that the main increase will be in the heavy industries and in engineering. The steel industry will double the output of 1949 to 4 million tons, chiefly through the building of a new blast furnace and foundry near Kraków to be supplied by the Soviet Union under the terms of the 1948 investment agreement. The engineering industry is to increase its output by $2\frac{1}{2}$ times. The production of electrical power is to increase from 8 million kWh in 1949 to 18 million kWh in 1955; and a new power grid will be constructed (see map pp. 86-87 and p. 107 below). The rate of expansion of coal output will be slower than that of other industries: output is to increase only by twenty per cent. over 1949, to 90 million tons in 1955.¹

Much of the new industrial expansion will be directed to supplying the needs of agriculture, which is to be 'saturated' with fertilisers and equipment to provide the basis for collective farming. The production of tractors is to increase from 1600 in 1948, the first year of production, to 12,000 in 1955. In 1949, Poland had 16,000 tractors, and needed 200,000 to mechanise completely, so that even by the end of the plan, with 76,000 in operation, the goal of complete mechanisation will still be far off. The production of artificial fertilisers is to be doubled to reach 2 million tons in 1955 against 1 million tons in 1949, to overcome the shortage of fertilisers which hindered the recovery of agricultural production in the western territories under the Three Years Plan. Two new plants will be built, one in the Silesian Dąbrowa district, the other near Poznań.

During the Six Years Plan, the rate of increase of employment in industry will not be nearly so fast as in the Three

¹ In the final version of the plan, which in July 1950 was not yet available, it is probable that some of these figures may be revised.

Years Plan, which brought a large increase because the former German industries were being re-manned. The total increase in industrial employment is to be 300,000 over the six years, employed in 350 new works. One of the new principles in the Six Years Plan is to be the spreading of industrial development to the more remote and backward regions. At present over fifty per cent. of the industrial workers are concentrated in Silesia, and eighteen per cent. in the Łódź district, while in the eastern districts of Olsztyn (formerly Allenstein), Białystok and Lublin there is almost no industry. In response to demands from the small towns of these regions it has been decided to place many of the new works there: 200,000 out of the 300,000 new jobs are to be created in these three districts.

Czechoslovakia

By contrast with Poland, the scope of the Czech Two Year Plan seems small, and its result poor. The industrial target of a ten per cent. increase in output over 1937 was achieved with some difficulty at the end of 1948, but the ten per cent. rise in the living standard or real income per head was not achieved. Agricultural production in 1948, though better than in 1947, was still far below pre-war levels. The building industry only realised its target by seventy per cent. The ten per cent. rise in the productivity of labour in industry was not realised.

For this failure there were several causes. One was the lack of sufficient control of the planning mechanism.¹ Another decisive factor, so far as the rise in the living standard was concerned, was the catastrophic harvest failure of 1947. In that year, total bread grain production amounted only to 1,841,000 tons, sixty-six per cent. of pre-war production, while potatoes and sugar beet production reached only fifty per cent. of pre-war production. Shortage of bread was avoided by the import of 650,000 tons of grain from the Soviet Union, paid for by the export of textiles and shoes, so that by the end of the plan in 1948 the shops of Prague were bare.

Apart from bad luck and bad management, there was a

¹ See Chapter VI, pp. 116-117.

THE PLANS

more fundamental reason why planning in Czechoslovakia was much more difficult than elsewhere. The country was already highly industrialised before, and in 1947 had full employment. The expulsion of 2½ million Germans had caused an all-round shortage of labour, which was particularly serious in agriculture and building. The targets of the Two Year Plan were more difficult than they seemed, because they had to be achieved by a much smaller working population. In countries like Poland and Yugoslavia, with millions of surplus peasants, industrial expansion is easy, and a quick rise in production can be achieved simply by moving workers from the land into industry. But in Czechoslovakia a movement into industry necessarily meant reducing output in other branches of production: the emphasis necessarily had to be on higher productivity of labour, rather than on expansion of employment. The Two Year Plan achieved very little rise in productivity; in the Five Year Plan higher productivity is in the centre of the picture, and the whole planning mechanism has been reorganised to make it so (see Chapter VI, pp. 119-120).

The Five Year Plan, which began in 1949, will involve a complete re-orientation of the Czechoslovak economy, away from the finishing industries to heavy industry and engineering. The experience of the First Republic had shown the danger of excessive concentration on the old speciality industries, glass, leather, porcelain, jewellery, and textiles, which were inherited from Austria-Hungary, and had formerly supplied the internal market of the Monarchy. Between the wars, these industries turned away from the old markets in Central Europe, to export chiefly to overseas countries and western Europe. When the world depression came they were hard hit: by 1935, there were 900,000 industrial workers unemployed, most of them in the German border regions. With the unemployment figures rose the Sudeten Nazi movement. Both the political and economic problems of the old Czechoslovakia sprang from this reliance on unstable world markets.

Now, under the Five Year Plan, within the framework of a general expansion of industrial production of fifty-seven per

REVOLUTION IN EASTERN EUROPE

cent., it is intended to place the main emphasis on expansion in the heavy industries, and to shift away from the older finishing industries to the branches which will supply the other east European planned economies with capital equipment. Czechoslovakia is to become the machine shop for the region; it is to take the place of Germany as the chief supplier of industrial goods. The pivot of the plan is the engineering industry, which is to increase its output by ninety-three per cent. over the 1948 level.

Concurrently with the expansion of industrial production by fifty-seven per cent., the plan aims at an expansion of Czech foreign trade by forty per cent. over the level of 1948. Most of the expansion is to take place in trade with eastern Europe; the share of the east European countries and Russia in Czech trade has already risen from nineteen per cent. of the total trade in 1947 to thirty-eight per cent. in 1948, and by the end of the Five Year Plan it is to account for fifty per cent. of the total. The plan does not aim at reducing the volume of Czechoslovakia's trade with the West; on the contrary, it is hoped to increase it, but western trade will take up a relatively smaller share of the larger total.

The Czech Five Year Plan is likely to be more difficult to realise than any of the other long term plans, because the changes it involves are more complex, and because the level of industrial and agricultural productivity is already much higher. It will involve a steep rise in the rate of investment. The total gross investment is to amount to £1,680 million (at the 1948 £ rate), representing twenty-five per cent. of the total national income over the period. Of this total between £1,095 and £1,175 million will be net investment, amounting to sixteen to seventeen per cent. of the national income. This means a large increase over the pre-war net investment rate, which averaged some seven per cent. of the national income, and over the rate of 5.5 per cent. achieved under the Two Years Plan. So it inevitably means a reduction in consumption during the first years of the plan, and the rise in the living standard is not likely to be very marked for some time, since

THE PLANS

the chief expansion will be in the production goods industries. By mid-1949, these had already increased output by thirty-four per cent. over 1937, while in the consumption goods industries production was only eighty per cent. of the pre-war level. Whether the aim of a thirty-five per cent. increase in the standard of living can be achieved depends not only on the efforts of the Czech workers, but also on the return which the other planned economies can make in exports to Czechoslovakia. At present, Czechoslovakia is exporting more to the east than it is receiving in return.

The essential meaning of the Czech Five Year Plan is that the Czech economy is to bear part of the cost of industrialising the less advanced agricultural economies in eastern Europe. The prospective rise in the living standard is less than in Hungary and Poland. That is reasonable, because the Czech economy is industrially more advanced, its labour more productive. On a long term view, re-orientation has the advantage of offering greater stability of employment; it means a choice of stability, against the prospect of a quicker rise and the risk of unemployment later. But for the moment, to continue to increase the productivity of labour at the present rate, and to increase the output of production goods, will make heavy demands on the industrial workers.

Up to mid-1949, the Czech plans had not brought a rise in living standards at all comparable with that achieved under the Polish and the Hungarian plans, and no official figures claiming any rise in the real wages had been published; it seems probable that there was no rise in the *average* as compared with pre-war. But there has been a great improvement in the incomes of the industrial workers in relation to those of other classes, and in the incomes of the lower-paid industrial workers in relation to the higher salary grades. The share of wages in the national income has risen from 59 per cent. of the total in 1937 to sixty-nine per cent. in 1948.¹ (Compare the similar change in Great Britain, where the share of wages in the national income has risen from thirty-nine per cent.

¹ *Czechoslovakia's New Labour Policy*, Orbis, Prague, 1949.

in 1938 to forty-nine per cent. in 1948.) The lowest incomes have been levelled up: incomes of less than 27,000 crowns per annum (£135) now account for twenty-nine per cent. of all incomes, as against seventy-five per cent. of all incomes in 1937 (allowing for the changed value of the currency). Though average food consumption per head has not risen, the level of consumption of the lowest paid workers is higher than before the war, when three to five million people, including the unemployed, semi-employed and the lowest wage groups, could not afford the present rations.¹

If in the Czech provinces the Two Years Plan did not have any marked effect on the living standard, it did succeed in its aim of raising the economic level of Slovakia. Before 1938, the standard of living in the eastern agricultural part of the country was only half as high as in the western industrialised Czech provinces, and in east Slovakia and Ruthenia there was rural poverty quite as acute as in the worst regions of Poland and Yugoslavia. Union with the more advanced Czech provinces had not helped Slovak industries; on the contrary, in the early 'twenties some plants had actually been dismantled, and there was no industrial expansion worth mentioning between the wars. Farm poverty, though acute, was a local problem only, and could have been wiped out by a policy of decentralising industry. But the Slovak problem between the wars was never treated in economic terms. Now, under the two plans, it is being tackled by investing proportionately more capital in industrial development in Slovakia than in the rest of the country.

A big expansion in industrial employment has already been achieved. Since 1946, about fifteen new factories have been built in Slovakia, in some of the poorest and most remote regions, an artificial silk factory, for instance, at Liptovský Svätý Mikuláš, a synthetic rubber plant at Púchov, a large wood working plant at Zvolen. A branch of the former Bata shoe factory, renamed Svít, has been started in the High Tatras. As a result, the number of workers in industry in

¹ *Czechoslovakia's New Labour Policy*, Orbis, Prague, 1949.

THE PLANS

Slovakia had risen by 50,000 at the end of 1948, an increase of fifty-five per cent. over the pre-war level, and thirty-eight per cent. over 1946. Real wages have risen by seventeen per cent. over 1937, and there can be no doubt that the general standard of living in Slovakia has definitely risen in the last three years. In the next stage, the Five Year Plan, it is intended to carry industrial development further, and increase the number of jobs by another 90,000.

Hungary

The special feature of the Hungarian plans is their emphasis on the conversion of agriculture to intensive farming, and on social expenditure in the villages. The land reform meant a great change in the distribution of income, outstandingly unequal before.¹ Nothing was more startling in pre-war times than the contrast between the wealth and sophistication of the capital, and the utter destitution of the outlying districts, particularly in the north and north-east—the source of the seasonal labour supply for the estates. To describe the poverty of these regions, the sociologists of the 'village explorers' group used a special word, 'elesett', meaning submerged and poverty-stricken in an extreme way, below and outside society.

Now the 'elesett' peasants have become small farmers. But to give them a piece of land was obviously not enough. Village life needed an entirely new structure—rural health services, education, roads, electrification. Agriculture needed to be intensified, for the big estates had farmed too extensively, concentrating on growing grain for export to keep Hungary a granary for the Axis even when grain prices fell, instead of concentrating on the production of meat, eggs, and poultry, though there was great scope for advance in this direction. For both these developments, social welfare and intensification, the Three Years Plan (1947-49) made ample provision. The social results are apparent in every village in the large number

¹ In 1930-31, it was estimated that 20 per cent. of the wealth of Hungary was owned by 0.6 per cent. of the population, 38 per cent. by 19.4 per cent., and 42 per cent. by 80 per cent.

REVOLUTION IN EASTERN EUROPE

of new houses. In 1949 villages were being supplied by electricity at the rate of thirty per month, and by the end of the Five Years Plan in 1954, rural electrification is to be complete. More intensive cropping has begun—chiefly sugar beet, stimulated by a high price which gave the new farmers a cash income sufficient to survive the three bad harvests which followed the land reform. Rice is grown on the newly-irrigated bad lands in the Tisza Valley, and cotton in South Hungary.

So far as industry was concerned, the Three Years Plan aimed at all-round expansion and had no special features. By December 1949 when the plan ended, the target of an increase in industrial production of twenty-seven per cent. over pre-war had been exceeded, and the actual level was forty per cent. higher than in 1938.

Of all the short term plans, the Hungarian has been the most successful in bringing about a quick rise in the standard of living. According to Minister Gerő, the real earnings of the industrial workers had risen by thirty-seven per cent. above the pre-war level at the end of 1949.¹ Consumption of meat has increased, and sugar consumption doubled. At the same time, industrial employment has increased. That is probably an all-European record.

Still, Hungary has had far more favourable conditions than the rest. Though the siege destroyed the bridges and buildings of Budapest, there was nothing like the destruction of industrial plant that there was in Poland. During the war, there was a large German directed expansion of industrial capacity—enormous in aluminium and oil, which were practically new industries. Then Hungary alone of the east European group has a plentiful food supply: except during the inflation of 1946, and for a short time after stabilisation, it has never been difficult to get the peasants to sell, and since 1947 food prices have fallen by fifty per cent. Food consumption has increased because Hungary is not now exporting food, while in 1939 exports of grain totalled one million tons.

The revolution itself, by redistributing incomes, has meant

¹ Speech on the Introduction of the Five Years Plan on December 20th, 1949.

THE PLANS

an immediate rise in living standards, because the cake was so unequally cut before. In the old Hungary, the class system prevented the full utilisation of the country's resources and its man-power was wasted in rural half-employment, its land under-farmed, its industrial potential undeveloped. Breaking down that system meant that the cake could be more equally divided, and also that it could be a bigger cake; both land and labour are being used more productively.

The Five Years Plan, like the other long term plans, aims at a big expansion of industrial production, by eighty-six per cent. over 1949 and an increase of agricultural production by forty-two per cent. The standard of living is to rise by fifty per cent. over the 1949 level, and eighty-six per cent. over pre-war. Labour productivity in industry is to increase by fifty per cent. over the five years, and industrial employment by 480,000.¹

Among the special aims of the Five Years Plan is irrigation, for the Great Plain suffers excessively from drought, and too rapid mechanisation could easily turn it into a dust bowl. In connection with the Danube-Tisza canal, now under construction, it is proposed to bring under irrigation 300,000 acres in the bad lands of the Tisza valley, where there are great stretches of barren 'szík' (alkaline) soil now entirely unproductive. Judging by the results of the co-operative farms, it is the use of more fertilisers which will bring the quickest results in raising the general level of crop yields.

Industrial expansion is planned with a view to breaking up the excessive concentration of industry in Budapest (excessive for Hungary, for the whole population of Hungary is only nine million, the population of Greater London). There are to be three centres for expansion:

- (1) Diósgyőr-Miskolc, where the existing heavy industry will expand with the aid of imports of iron ore from across the Slovak border, and of coke from Poland.

¹ All the targets in the original draft of the plan were much lower than those which were finally fixed, and were raised in the second half of 1949 when it was clear that the Three Years Plan targets had been easily over-fulfilled.

REVOLUTION IN EASTERN EUROPE

- (2) The Pécs coal basin, where a new heavy industrial centre is to be built at Mohács on the Danube, which will import iron ore coming up river from Russia and will export bauxite down river in return. The Hungarian river fleet is being built up for this purpose.
- (3) The Komárom coal basin, where the manganese industry will be expanded, using water power from the Garam, a tributary of the Danube in Slovakia.

All these new centres depend on supplies of raw materials or power from the neighbouring planned economies, and link Hungary's industrial expansion with theirs. The new economic system offers the prospect of closer economic integration with the rest of the Danube region, for Hungary in particular vitally important. In the inter-war years, the way to such integration was completely blocked, and it was with perfect justice that the anti-Trianon propagandists argued that the dismemberment of the old Hungary was a fatal step, even though their conclusion—that the Hungarian ruling class should rule the whole Danube basin—was utterly false. In economic terms, the Trianon frontiers did do Hungary great harm by sacrificing economic ties to national frontiers. Hungary is poor in all industrial raw materials, except bauxite. Hence its industrial expansion must depend on expansion of trade with the neighbouring countries, and on joint projects for water power development, because the Danube tributaries draining into the plain all rise in the Carpathian arc, outside Hungarian territory.

Bulgaria

With eighty per cent. of its population in agriculture, Bulgaria was the most backward of all the agrarian countries. Its land was the most overcrowded, with very small farms predominating, even before the recent land reform. Most of its farming was the usual Danubian type, with wheat and maize as the main crops and very low average yields—only 9 cwts. per acre. There were also the special crops, for which the Bulgarian peasants were famous in Central Europe, tobacco,

THE PLANS

and roses for rose oil, vegetables, vines, and cotton, which flourished in the fertile Maritsa valley. Tobacco was the country's chief export, and still is, amounting to eighty per cent. of the total exports: it now goes mainly to the Soviet Union and the other countries in the region.

Both industry and agriculture depend for their development almost entirely on hydro-electricity to provide power and irrigation water for the intensive crops. Except for the small coal mines at Pernik (now renamed Dimitrovo) the country has very little in the way of mineral resources. The two plans, Two Year (1947-49 and Five Year (1949-53), are therefore in essentials schemes for rapid electrification. Pre-war power production amounted to 202 million kWh, and by mid-1949 had doubled: by the end of 1953, it is to increase to nine times the pre-war level, to 1,800 million kWh.

There are about twelve new water power stations and big dams projected or under construction, and some are already in operation. The chief are the Georgi Dimitrov station at Koprinka near Kazanlik, where the whole Tundja valley will form a reservoir; the Maritsa station (near Rakovski) where the new industrial centre, Dimitrovgrad, is being constructed; and the Vasil Kolarov dam on the Vilcha, south of Plovdiv at Kamenprohod. Others are projected at Pasarel in the Iska gorge, on the Topolnitsa, a tributary of the Maritsa, on the Rositsa, on the Lom, on the Ogosta, and on the Struma. The approximate position of these stations is shown on the map on pp. 102-103; their exact location is a state secret. Two new coal power stations are being constructed, one at Pernik (now Dimitrovo). Some of these schemes will probably be abandoned: according to the Kostov trial evidence, Kostov, while Minister of Electrification, had aimed at constructing far too many dams on an uneconomic basis, and without preliminary survey.¹

By means of the increased production of electrical power, it has been possible to increase industrial production very quickly: by the end of the Two Year Plan in 1948, it had

¹ See *The Trial of Traicho Kostov*, Sofia, 1949, pp. 468-472.

REVOLUTION IN EASTERN EUROPE

increased by seventy-one per cent. over pre-war. But this success was due, in part, to industrial expansion and electrification during the war. In the Five Years Plan the aim is an increase by 120 per cent. over the 1948 level. At present food canning and textiles account for sixty per cent. of Bulgaria's industrial production. The main expansions will be in fertilisers and in agricultural machinery, which will include tractor ploughs and cultivators, but not tractors, which will be imported.

In agriculture, there is to be an extension of the cultivated area, and a large rise in crop yields. Grain production is to rise by one million tons or thirty per cent. over pre-war. This is the biggest percentage increase in grain production contemplated in any of the plans and will be difficult to achieve, although fertilisers and better cultivation can produce quick results, as the co-operative farms already show.

The most sensational point in the Bulgarian plan, and included in no other, is the general extension of collective farming to cover sixty per cent. of farm production by 1953. At the end of the plan, says the plan decree, 'socialist industry will dominate in all branches of the national economy.'¹

Yugoslavia

In Yugoslavia, there was no short term recovery plan, as in the other countries. The Five Year Plan was a plan for development and was introduced in 1947, before industry and agriculture had recovered to their pre-war levels, and before the government knew what current production was. The object was to show that the Yugoslavs could outshine the others, in reconstruction as in resistance. The targets of this plan (as Table VI in the Appendix shows), were far more ambitious than any of the other long term plans. The aim was to double the national income of 1939 by 1951, and to increase pre-war industrial production by nearly 300 per cent., whereas the rest of the long term plans aim at increasing industrial production by 100 to 150 per cent. above the pre-war level by 1953-55.

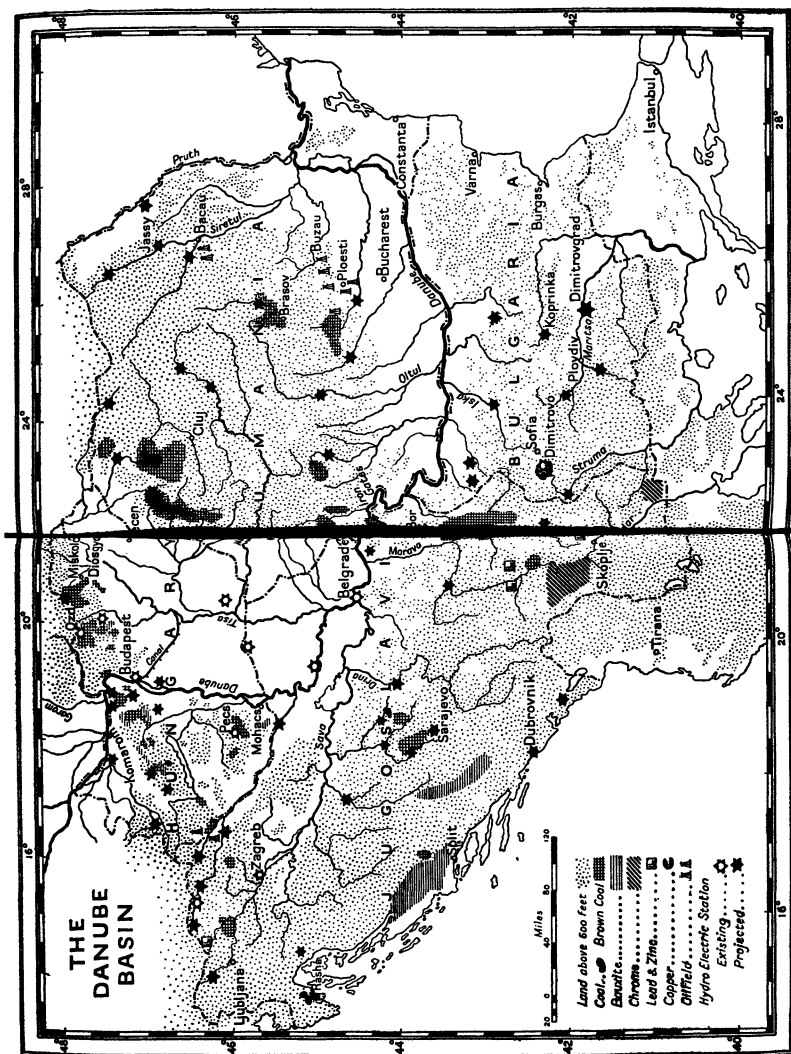
¹ See Chapter VIII, pp. 153-155.

THE PLANS

The range of development includes a big expansion in the iron and steel industry, at present very small; enormous new construction in the finishing processes of the non-ferrous metal industries which formerly produced mainly ore or concentrates for export; and the construction of a large number of new power stations. All these projects would be reasonable, if spread over a longer period, for the country has great undeveloped resources. But to undertake them all at once was impossible, since they require the provision of capital equipment and industrial materials on a scale far beyond the country's own capacity to produce, or to obtain through foreign trade. A more sensible method would be to have concentrated on electrical power expansion in the first stage, to provide power for the new branches of the metal industries to be constructed later.

Some of the equipment and material needed was to be supplied under the 1947 trade agreements with other east European countries—a blast furnace from the Soviet Union, power stations from Hungary and Czechoslovakia, and coal and coke from Poland. Since the blockade began, industrial production has fallen off sharply, chiefly as a result of the cessation of imports of Polish coal and coke, for Yugoslavia has no coking coal. But even if these supplies had been available, it is unlikely that the plan could have been realised. Apart from the non-ferrous metal industries, and the Zenica steel plant, Yugoslavia has very little industry; about seventy per cent. of its population are still peasants. Yet the plan proposed the investment of between thirty-five to forty per cent. of the national income over the five years—an extremely high rate of gross investment even for an advanced industrial country, and for a mainly peasant country utterly impossible. (The other long term plans aim at a rate of twenty-five per cent., which is difficult enough.)

Up to the present the chief results of the plan are seen in the lavish use of unskilled labour on large building projects which involve little capital equipment, such as the Zagreb-Belgrade road, and the building work for a number of power



REVOLUTION IN EASTERN EUROPE

increased by seventy-one per cent. over pre-war. But this success was due, in part, to industrial expansion and electrification during the war. In the Five Years Plan the aim is an increase by 120 per cent. over the 1948 level. At present food canning and textiles account for sixty per cent. of Bulgaria's industrial production. The main expansions will be in fertilisers and in agricultural machinery, which will include tractor ploughs and cultivators, but not tractors, which will be imported.

In agriculture, there is to be an extension of the cultivated area, and a large rise in crop yields. Grain production is to rise by one million tons or thirty per cent. over pre-war. This is the biggest percentage increase in grain production contemplated in any of the plans and will be difficult to achieve, although fertilisers and better cultivation can produce quick results, as the co-operative farms already show.

The most sensational point in the Bulgarian plan, and included in no other, is the general extension of collective farming to cover sixty per cent. of farm production by 1953. At the end of the plan, says the plan decree, 'socialist industry will dominate in all branches of the national economy.'¹

Yugoslavia

In Yugoslavia, there was no short term recovery plan, as in the other countries. The Five Year Plan was a plan for development and was introduced in 1947, before industry and agriculture had recovered to their pre-war levels, and before the government knew what current production was. The object was to show that the Yugoslavs could outshine the others, in reconstruction as in resistance. The targets of this plan (as Table VI in the Appendix shows), were far more ambitious than any of the other long term plans. The aim was to double the national income of 1939 by 1951, and to increase pre-war industrial production by nearly 300 per cent., whereas the rest of the long term plans aim at increasing industrial production by 100 to 150 per cent. above the pre-war level by 1953-55.

¹ See Chapter VIII, pp. 153-155.

THE PLANS

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Up to the present the chief results of the plan are seen in the lavish use of unskilled labour on large building projects which involve little capital equipment, such as the Zagreb-Belgrade road, and the building work for a number of power

stations. (The machine tool factory, *Železnik*, which is claimed as a triumph of the plan, was in fact a reparations delivery from Germany.) Some of the big projects—New *Bélgrade*, for instance, the new quarter being built in the flood area at the confluence of the *Sava* and *Danube*—have obviously been undertaken regardless of cost. The limits of what ‘bare hands’ and ‘working *élan*’ can do have already been reached.

The Yugoslav planning office, unlike the others, does not issue any regular statistical reports, nor have the actual annual targets ever been published, so that it is impossible to say what has been achieved. What is most obvious is that there is a great shortage of consumer goods in the towns, and that what there are go to the peasants.

Planning for the Region

Between the wars, the economic atomisation of eastern Europe was a great evil. The small size of each national market prevented industrial development, the tariff barriers cut down inter-regional trade. Now that industrial development is getting under way, there will obviously need to be co-ordination between the national plans, to promote specialisation, and develop resources to serve the needs of the region as a whole. Full development of the region’s natural resources necessitates international agreement because they are shared between different countries. The bases for industrial expansion form two natural regions, the coal region of *Silesia*, and the water power system of the *Danube Basin*. In each, the national frontiers cut across economic units.

In the coal region, there is already a high degree of economic integration between *Poland* and *Czechoslovakia*, which together produce about seventy-five per cent. of the heavy industry output of eastern Europe. The *Silesian* coalfield is the largest in Europe, and its underground resources are estimated to be larger than those of the *Ruhr* valley. The national plans of the two countries must therefore be closely co-ordinated. In the short term plans, their needs were complementary, *Czechoslovakia* importing coke from *Poland*, and

THE PLANS

exporting finished steel to Poland in return. The long term plans are being systematically dovetailed in great detail. In 1948, a long term agreement was made between the two countries providing for a large expansion of trade. A permanent Polish-Czech Economic Commission was set up, with a number of permanent committees and a large secretariat, to deal with economic questions of common interest—for instance, reciprocal freight concessions for Polish coal crossing Czechoslovakia, and for Czech imports of Swedish iron ore crossing Poland. Czechoslovakia was given free zones in the Polish ports.

The most important function of the Commission is to prepare production agreements by which each country can specialise in those branches of industrial production where it has special cost advantages; for example, Poland will produce more cement and heavy chemicals, while Czechoslovakia will reduce its production of these goods and import them from Poland. Poland will import Czech coke instead of erecting new coking plant, and will export in return low-quality coal to Czechoslovakia. Within the different industries, types of products will be standardised and there will be reciprocal agreements under which each country will undertake to specialise on one type of product, e.g. in motor cars and cycles, for supplying both countries. Of the joint projects to be undertaken, the most important is the new power station to be built at Nowy Dwory near Oświęcim, with a capacity of 150 MGW, This will supply power for a new transmission system to Warsaw, Łódź and Central Poland, and also to Czechoslovakia.

The map on pp. 86-87 shows the main natural resources in this region, and the projected development of the power system to serve both countries.

The other great power base, the Danube river system, is shared between five countries, whose water power resources together total seven million h.p., and are twice as great as the water power resources of Germany. At present only some five per cent. is utilised. The map on pp. 102-103 shows the mineral resources of this region, and projected hydro-electricity schemes.

REVOLUTION IN EASTERN EUROPE

Some of these schemes, e.g. on the river Garam in Slovakia, are international projects. On the Danube itself there is as yet no new power station. The project for a giant power station at the Iron Gates, where the river narrows and falls between Rumania and Yugoslavia, was under discussion in 1946, but since the outbreak of the Yugoslav-Cominform conflict it has been abandoned.

The co-ordination of the national plans is now the function of the Council for Mutual Economic Assistance, set up by the governments in January 1949. Before this body was created, there was already co-ordination so far as the key industries were concerned, particularly in regard to the expansion of the heavy industry and engineering branches in Czechoslovakia. Hungary's entire plan hinges on its integration with the rest, the expansion of aluminium and manganese being undertaken to pay for imports of industrial materials from its neighbours. Although the Yugoslav conflict prevents its full development, the broad outlines for regional planning already exist. At present it is not likely that these will take shape in a master plan for the whole region.

CHAPTER VI

PLANNING IN PRACTICE

IN the west, there are three current criticisms of the east European plans. The first, and simplest, is that the plans cannot be achieved, and that the targets are just eyewash; that only percentage figures of realisation are published, not absolute figures, and that consequently there is never any proof that the targets are actually reached.¹

This criticism, so far as most of the plans are concerned, is really nonsense. In the first place, the targets of the short term plans were not excessively high, except in agriculture, where they proved too optimistic, because harvests up to 1948 were abnormally bad. The actual increase of production over pre-war figures is not in itself remarkable, though in 1948-49 it was rather faster than the rate of expansion in western Europe in general. But some west European countries have achieved as high rates of recovery as the eastern planned economies, though their initial position was better and they received large dollar aid. What distinguished the eastern recovery from the western was that it was achieved in general *with a rise in real wages*, whereas in the west it was achieved mainly by inflation, and no rise in real wages, and in Germany, Italy, and Belgium has been followed by deflation and unemployment. It is the rise in wages in eastern Europe which is remarkable, rather than the increase in production.

So far as three countries were concerned, Czechoslovakia, Poland, and Hungary, there cannot be much doubt that the results were as stated. These three countries publish monthly figures of industrial production in the main industries, in quantities, not only in percentages, and annual figures of farm production. Naturally in official speeches the tendency is to

¹ See, for instance, Vernon Bartlett, *East of the Iron Curtain*, Latimer House, 1949, p. 9.

REVOLUTION IN EASTERN EUROPE

dwell on successes and not on failures, but the figures of the unfavourable results—Czech building, for example, are published none the less. It is difficult to lie about real wages or general living standards, because people know whether they are better off or not than before, even if they do not know if they are twenty per cent. or thirty per cent. better off than in 1938. Official Polish and Hungarian statistics claim that real wages had risen by twenty-six and thirty-three per cent. in 1949 as compared with pre-war, and these figures can be roughly confirmed by observation—better food, cheaper housing, would certainly be sufficient to account for a rise of the order claimed. The Czech planning office does not issue any figures of real wages; but official speeches have stated explicitly that the ten per cent. rise in living standards aimed at in the Two Years Plan was not achieved. So far as these three countries are concerned, there is no truth in the criticism that the plan results are not known. It is truer of Bulgaria, where only percentage achievements of unpublished targets are published, and quite true of Yugoslavia, where no figures worth anything are published, and where only the final plan year targets have ever been published at all.¹ In both these countries, secrecy is a cover for official chaos.

A second line of criticism is that if the plans are achieved, they are achieved by forced labour, by professors in the salt mines. This is not true either, for though forced labour does exist, it is not the means by which the plans are carried out. Indeed, in Czechoslovakia most of the trouble in planning arose because the government followed a too attractive wage policy, and used virtually no direction of labour. This sort of slapdash criticism shows only a complete ignorance of what the real conditions are in most of these countries; there is no need to force labour into industry, because there is so much labour on the land that it is easy to obtain any number of workers by the offer of regular industrial wages, and better food.

The third line of criticism is a genuine one. It is that the

¹ Figures for 1949 production were however given in Marshal Tito's speech to Parliament on April 27th 1950.

plans can be achieved, and achieved without forced labour, but only at the cost of the workers' present standard of living, because the big investment in construction must mean cutting down the production of consumption goods. Now of course it is true that the increased investment must be made at a cost; if a big proportion of labour is occupied in building dams and blast furnaces it will not bring in any immediate return in a bigger output of consumer goods and food. That in itself is no objection to the plans; it is indeed their real justification. For precisely what was wrong with the economy of east Europe before was that it did not invest enough; the rate of capital accumulation was too low to employ the increase in population. Any policy for raising the living standard must necessarily aim at raising the rate of investment; against the cost involved there must be weighed the alternative incalculable cost of keeping millions of peasants half-employed.

The fact that there is much surplus labour on the land means that the cost of investment is less than in an advanced industrial economy, simply because so much surplus labour can be shifted into industrial production without any reduction in agricultural production, and so without a reduction in current consumption. The change in employment in itself means a rise in productivity. It is only where there is already some shortage of labour that the higher rate of investment is likely to lead to an immediate reduction in supplies of consumer goods, as it did in Czechoslovakia in 1948-49, where the shortage was felt as a real hardship. In Poland, where supplies of consumer goods at that time were actually much shorter by comparison, the shortage was not felt, chiefly because there had been no reduction, and after what Poland had survived, lack of new shoes and clothing did not seem much deprivation.

There can be no argument against raising the rate of investment as such: the question should really be whether the planned rate is too high to achieve, in the sense that it will mean so much restriction of consumption that the industrial workers will not increase production at the necessary rate.

REVOLUTION IN EASTERN EUROPE

The rate of investment in the long term plans is undoubtedly high; it represents a gross investment of about twenty-five per cent. of the national income over the plan period, and is two or three times as high as the rate achieved in the short term plans, and much higher than pre-war rates. In Great Britain, in 1948 the rate of gross investment was twenty-two per cent. of the national income, and in the four years British plan submitted to O.E.E.C. the proposed rate of gross investment was only twenty per cent. (though some authorities consider this too low¹). Several west European countries exceed the current British rate; Norway, for example, invested over forty per cent. of the national income in 1948. But for the eastern planned economies, where the national income per head is still only about half the British level,² a gross investment rate of twenty-five per cent. is undoubtedly going to be difficult to achieve. Whether it will prove to be too high in practice depends a good deal on whether there can be any development of east-west trade, which would mean that the eastern countries can buy some of their equipment with exports.

Another connected line of criticism is that while planning for industrial development makes sense, the east European countries could achieve a quicker rise in the living standard if they concentrated investment more on the consumption goods industries and less on heavy industry, while importing their industrial requirements from the west. This criticism has been made by the Economic Commission for Europe in its 1948 Survey.³ It is true, of course, that it would be possible to absorb more labour by expansion of the consumption goods industries, rather than the heavy industries which use a high proportion of capital to labour. But the criticism is rather academic, because it does not take into account the real supply position.

¹ Cf. Balogh. *The Dollar Crisis*, Blackwell, 1949, pp. 37-38.

² For figures of national income per head in Czechoslovakia, Hungary, Poland, and Bulgaria, and comparison with that of other European countries, see the E.C.E. *Economic Survey of Europe in 1948*, p. 235.

³ *Ibid.*, p. 210.

The consumption goods industries—particularly textiles—were more advanced in east Europe than the heavy industries, because it was in this branch that most industrial expansion took place between the wars. Hungary, Poland, Czechoslovakia all had excess capacity in textiles before, and have some still, chiefly because they cannot buy enough raw wool and cotton: the Soviet Union supplies them only with enough for minimum needs. The same is true of shoe production, which is short, not of productive capacity, but of leather. To increase production in these industries would be possible only if there can be an expansion of trade with the west. This cannot be achieved without expanding exports of food and industrial materials, such as coal and non-ferrous metals. Any large expansion of food exports will involve investment in agricultural equipment, such as fertilisers and machinery, which is dependent on the expansion of the heavy industries and power production. In the region as a whole, there are the raw materials both for heavy industry and for electrical power production, and a policy which aims at raising the general level of productivity must necessarily concentrate on these first, as the basis for further expansion.

Of course, there are cases where more investment in consumption goods would have brought a quicker rise in the living standard. For example, in Poland it would easily have been possible to rebuild Warsaw more quickly. The miracle of the Polish recovery is not, as the foreign journalist is told, that Warsaw is being rebuilt so fast, but that it is being rebuilt rather slowly, with only some 100,000 workers. A million workers might have been put on the job, instead of pushing on with the coal productivity drive, and with the resettlement of the western territories. If this had been done, Warsaw might by now have been rebuilt, but Poland would not have coal and food to export in return for machinery and raw materials. The immediate need for housing—still very acute—would have been satisfied, at the cost of steady recovery. In practice, the temptation for the eastern planners is to invest too much in building, because material and unskilled labour are

available: and to do so is a sign of bad planning, for it means that the productive investments suffer. The Yugoslav plan is a case in point.

All these criticisms of the plans *in general* are rather wide of the mark. The only way of assessing how far the plans are likely to be successful is to look at the actual mechanism of planning, and to see what problems have arisen in practice.

✓ In all these countries, the system of planning is now similar to that of the Soviet Union, with the great difference that agriculture is not collectivised, and that incomes in agriculture are therefore not controlled in the same way as in industry. But the Soviet system was not adopted at the start. In most countries industry was nationalised in the course of the short term plans, and the full Soviet planning mechanism was introduced only at the beginning of the long term plans. The planners have had to learn their job by experience rather than by doctrine.

The actual preparation of the plan in each country is the work of the Planning Office, under the direction of a leading communist minister. In the preparation of the short term plans, particularly the Polish and Hungarian, economists from the Socialist Parties played quite an important part. These plans differed a good deal from each other both in the targets set and in methods of operation. The long term plans resemble each other in their main features, and bear obvious signs of co-ordination between the different Communist Parties in each country, for the key points—the productivity and investment targets, for instance, are much the same in all. But in detail each plan is prepared by each planning office. Much time is spent on the preparation of the plans, and the targets are frequently revised, before the full text of the bill embodying the main points of the plan is presented to Parliament for enactment. This last stage is a formality, for all the real discussion takes place before the plan as a whole makes its appearance.

Apart from Yugoslavia, there have not been any political crises arising directly out of the contents of the plans; the

political crises in each country have centred on the general nationalisation of industry, the essential preliminary, rather than on the plan itself. But there have been conflicts inside the different planning offices about the measures needed to carry the plans into effect—in Poland, for instance, on the question of the measures needed to control inflation in 1947, and in Czechoslovakia on the same question at the end of 1948, where differences were settled by rational means. In Bulgaria, they were not: the evidence at the Kostov trial revealed chaos at the top level in the management of the plan. Among the many charges made against Kostov and his associates were ‘wrecking activity’ in the field of finance, by Ivan Stefanov, the chief economist and Minister of Finance: immense wastage of labour and equipment in dam construction: sabotage of rubber production: and, of course, unsatisfactory prices for peanuts, cherries, and paprika.¹

In the two countries where the plans have been most successful, the Communist Party has a stream-lined super planner, generally regarded as the brain behind the plan; in Poland Hilary Minc, the Minister of Industry, and in Hungary Ernő Gerő, formerly Minister of Communications and now Minister of State in charge of economic policy. These men were trained for the job in Moscow, and have learned the technique of planning in the Soviet Planning Office. The Czech Communists have so far not produced any administrators of the same calibre; the Polish planners say of the Czechs that they were too long at the London School of Economics, which may explain why the Czech Two Year Plan worked on quite different lines from the rest. For the theory of Soviet planning has never been put down on paper, but has been worked out as an empirical study, and is a technique of action rather than a formulated body of doctrine. Nor have the east European planners ever set out the principles on which their economic policy is based; the principles can, however, be inferred from the methods by which the plans are put into effect.

¹ *The Trial of Traicho Kostov*, pp. 473-497.

✓ In the experience of the past four years, three main problems have been encountered, which are still far from being solved. These are (1) how to increase investment without inflation, (2) how to increase the productivity of labour, (3) how to keep down food prices and yet increase food production.

(1) *Investment*

✓ The key problem in planning for industrial development is increasing investment. Since the state owns all industrial plant, the question of how to allot investment between different industries is not important. The problem is to maintain a steady expansion of production in the production goods industries, without an excessive expansion of purchasing power which will lead to a shortage of consumer goods.

✓ To the outside observer, the most striking feature of the planned economy is not rigid regimentation, but the apparent lack of any control, the shortage of consumer goods, the high price of food, the over-crowded trains, the pressure on all services. That impression is strongest in Yugoslavia, where it is characteristically dramatised as 'the struggle for matches in the villages'. It is not true at all of Hungary, where consumer goods are conspicuously plentiful and cheap. But everywhere else the effects of an increased volume of purchasing power are clearly apparent.

The best example of how this problem has arisen in practice is the Czech Two Year Plan, in the course of which the planners learnt the technique of planning by making several cardinal mistakes. When the Two Year Plan was introduced, the economic position in Czechoslovakia was very much like that of Great Britain to-day; there was full employment, a general rationing system (much tighter than the British) and a dollar deficit. The plan itself was really not much more than a list of production targets; it was in fact a plan *à l'anglaise* rather than *à la polonaise*. In part, the failure of the plan was due to an uncontrollable factor, the bad harvest of 1948. But it was also due to lack of control over the planning mechanism. Before the general nationalisation of industry in 1948, about

sixty per cent. of industry was nationalised. There were still important branches of the economy which were not, the wholesale trade, export and import trade, building, and many smaller industrial firms. These branches diverted capital and labour away from the nationalised industries. The management of the nationalised industries was weak, and responsibility was confused: each national enterprise was under the control of an Administrative Board (like our Coal and Dock Boards) composed of representatives of the management, the workers and the Ministry of Industry, but these Boards met only at rare intervals, could not take day to day decisions, and were used by the managers to take the blame for failures.¹

There was no overall financial plan, and no consistent wage policy. The financial policy was inflationary. During the two years 1947-49, the note circulation rose by sixty-five per cent.; up to the middle of 1947, the increase in the note circulation was balanced by an increase in savings, but after the bad harvest rumours of inflation led to a flight to commodities and a decline in savings. Prices on the black market by the end of 1948 had risen three times over the level of January 1947.² The wage policy was also inflationary. When the currency was stabilised in 1945, new standard wage rates were fixed, corresponding to the old rates multiplied by the threefold price increase during the war, but with the lower paid groups levelled up. The scale was revised at the beginning of 1947 in accordance with the plan priorities, and standard wages were fixed in eight main categories. But as there was a general shortage of workers and no direction of labour, employers in non-nationalised industries offered higher wages than the standard rates to attract workers, so that priority scales got out of line and the nationalised industries had to follow. Even the managers of nationalised firms, under pressure from the workers, paid 'black' wages and 'soft' premiums. Throughout

¹ Information from the Czechoslovak State Planning Office.

² Kadlec, *Stabilita Meny v plánovaném hospodárství*, Prague, Prague, 1949; and Goldman and Flek, *Problems of Economic Planning in Czechoslovakia*, Orbis Prague, 1949, p. 107.

REVOLUTION IN EASTERN EUROPE

1948, the rate of increase of money wages outran the increase in productivity.¹ There was no increase in the level of labour productivity in industry over pre-war.

By the end of 1948, there was far too much money chasing too few goods, and virtually no consumption goods on sale in the shops at all. The government was faced with the unpleasant alternative of either raising prices, or reducing wages. To reduce wages at the beginning of the Five Year Plan would have been too unpopular; on the other hand, to abandon price control would have been as bad. The decision was a compromise, the double price system, introduced on January 5th, 1949.

Under this system, there are two controlled prices for food and many consumer goods. The food rationing system for the population in general remains, but food is also on free sale in state shops at officially fixed high prices, from five to ten times the rationed price (as at mid-1949). For textiles, clothing, shoes and soap, goods are available on points ration books issued to the working population² at low controlled prices: everyone else must buy these goods in the free market at prices from ten to fifteen times the lower price. This was a class measure, designed to draw off the excess purchasing power from the currency hoards of the 'capitalist remnants' without reducing the purchasing power of wages. At the same time, it gave the industrial workers something to buy, and made the money premiums real incentives.

At the same time as the new price system was introduced, the system of taxation was reformed. A general purchase tax was imposed on the sale of all consumer goods (except the low priced rationed goods) representing 100 per cent. or more of the cost price. This corresponds to the general tax imposed in the Soviet Union. It now brings in half the total revenue. The

¹ Kadlec, p. 199.

² This includes all wage-earners and employees in industry and administration; small farmers who have fulfilled their quotas; students, writers, musicians and artists if organised in syndicates. Members of families in these groups also hold the special ration books, as do all infants up to one year old. Independent artisans are excluded and have a justifiable grievance.

proceeds of the tax are being used as an instrument of disinflation to reduce the note issue, and are to be also the chief means of financing investment under the Five Years Plan. The disinflation policy has been successful in drawing off the excess of purchasing power; the note issue was reduced by ten per cent. in the first half of 1949, and official prices were being gradually reduced also. Though it was an effective remedy, it is not of course a popular policy, and there are many complaints of the high level of prices.

The experience of the Two Years Plan showed the Czech planners that to achieve the thirty per cent. increase in industrial productivity projected by the Five Year Plan would necessitate a complete overhaul of the planning mechanism, in three directions:

(i) First, it was clear that there would have to be a financial control, as in the Soviet system of planning. This means that each nationalised industry is given an annual budget which allots to it a fixed sum per annum for its total expenditure on wages, raw materials and other costs. Since all payments are made by cheque, no industry can pay out more than the credit allotted to it under the plan. This system provides an automatic control over wages, and its object is to stabilise and if possible reduce the general price level, as well as to force each industry to keep down its costs. In 1949, the financial plan had not yet come into force, but was being prepared for 1950, the second year of the Five Year Plan. This lesson has been learnt from Moscow, and 10,000 accountants are being trained for the job. The same system is now being introduced both in Poland and in Hungary.

(ii) Then it was necessary to make the management of nationalised industries more efficient. The whole system of management was changed early in 1949; the system of administrative boards was scrapped, and the managers were made solely and directly responsible to the Ministry of Industry for the management of the nationalised enterprise. During the months before and after the February revolution, the Works Councils (the factory unit of the Trade Unions), or the

Communist Party Committees, had in some factories taken on the management entirely, over the manager's head. In the critical time of the political struggle this was necessary, but from the economic angle it did not work. After the re-organisation, the Works Councils ceased to have any managerial function; their job now is to handle wage questions and to mobilise the workers to raise productivity. This change in the method of control also followed Soviet experience, which introduced managerial responsibility some ten years after experimenting with committees. Most of the managers of Czech nationalised enterprises were formerly managers in capitalist industry, or technicians; as compared with Poland, relatively few workers have risen to managerial jobs.

(iii) Finally, there was the need for a new outlook on the part of the industrial workers; not, as one of the chief planners put it, a new mechanism, but a 'new mind'. This means that the whole function and spirit of the trade union movement now must change to expansion instead of restriction. The idea is hard to put over, precisely because the Czech labour movement in the past was strongly organised to resist exploitation; then, in the six years of occupation, it was geared to sabotage production. Even in the course of the Two Year Plan, some communist leaders found it easier to blame every failure on the capitalists, and to hold out the hope that after the political revolution, the economic situation would immediately change for the better. In the political struggle it was the trade unions which had played the decisive part; and the workers expected that the revolution would mean an immediate rise in real wages.

Now the trade unions are trying to drive home to the workers the lesson that what they will get out of the Five Years Plan is what they will put into it. Wage increases are to depend in future on increases in productivity. The chief function of the Works Councils is to be the mobilisation of the labour supply, the preparation of 'counter-plans'—ways of economising labour or speeding up output. The 'uděrníks' (shock workers) are those who undertake to step up the 'norms' at the same rate of pay. So far the change in mind lags behind the change in

organisation, and no one believes that it will come quickly or easily.

The Czech experience showed that it was impossible to increase the rate of investment in a half-nationalised economy, in which consumption was controlled by consumer rationing, but with incomes out of control. The Polish plan has been much more successful, because the level of consumption has been controlled at the income end, through a drastic control of basic salary and wage rates. The chief means of financing the plan are the profits of nationalised enterprises, not, as in Czechoslovakia, taxation. None the less, the Polish planners did experience great difficulty in reaching the investment target of 393 milliard zlotys (in four years, including 1946) representing a gross investment of twenty per cent. of the national income during the period—a very high rate for a devastated and poor country and much higher than the pre-war rate of investment, which ranged from nine per cent. to thirteen per cent. of national income. In the first two years of the plan, it proved impossible to reach the target for investment from internal sources: the issue of investment credits to industry had an inflationary effect, and up to the middle of 1947 prices had risen by about fifty per cent. over the 1946 level. By tightening up the tax system, and imposing heavier taxes chiefly on the peasants, it was possible to stop the upward movement of prices by the autumn, when the increase of food supplies on the market had a further deflationary effect. Food supplies were short, and without the \$25 million grain and gold loan from the Soviet Union, which enabled Poland to buy grain from the U.S.A., in addition to the Soviet grain, it would have been difficult to check the price rise. At the end of 1949, however, prices were again moving upwards.

➤ The Polish Government was more successful than the Czech in avoiding inflation, because it was able to exert a much stronger control over incomes. To see how this control operates, it is necessary to look at the wage system, which is the chief means of achieving a high rate of investment. For in essentials the investment problem is not one of the planning mechanism;

REVOLUTION IN EASTERN EUROPE

it is the problem of inducing people to work more, in the hope of an eventual rise in the living standard, without a large gain in the immediate present.

(2) *Wages and Productivity*

The principle of the wage system is to control consumption through control of the general level of incomes, while stimulating increased productivity through high incentive payments, varying with the rate of plan achievement.

Standard wages and salaries throughout nationalised industry are fixed by official decree. As compared with pre-war incomes, managerial and administrative incomes are much lower than before, while unskilled wage rates have been levelled up. As an example of the *range* of standard incomes between skilled, unskilled and managerial work, the following figures may be quoted for Poland in 1948:

	Zlotys per month	Sterling equivalent ¹ (1948 £1 = 1,600 zlotys)
Managers of nationalised enterprises	50-60,000	£31-37
Bank Directors	35-40,000	£22-25
Senior Officials	24,000	£15
Junior Officials	8-13,000	£5-8
Skilled Wage Earners . .	16,000	£10
Unskilled Wage Earners .	8,000	£5

These standard money rates of pay are intended to remain stable, and their purchasing power is expected to rise as production increases and prices fall. Within each industry, standard wage rates are fixed roughly in relation to pre-war rates, with the difference that priority industries, particularly

¹ This was the official exchange rate: it does not correspond to the purchasing power of these incomes in sterling. Comparisons of real wages in terms of sterling is impossible, for some consumption goods are high priced or unobtainable, while food is sold to industrial workers at very low prices. Housing is virtually free, for rents are stabilised at pre-war levels, which are nominal charges owing to the changed value of the currency.

coal, are paid at higher standard rates, and unskilled labour in general at higher rates also.

These rates do not indicate actual earnings, which are much higher than the standard wage scales. The enforcement of fixed standard rates of wages and salaries is connected with a system of high incentive payments to industrial workers. The incentive payments depend on the achievement of the plan targets. In every factory or mine a 'norm' is fixed for each job, which represents the standard time needed to complete it. Workers who complete the job in less time than the norm are paid at the standard hourly rate for the full time, so that their actual earnings per hour exceed the basic wage by the same proportion that their output exceeds the norm: i.e. if the norm for a job is three days, and it is actually completed in two, the workers are paid for the two days at the standard rate for three days.

All the planned economies follow the same system, but in Poland the premium rates appear to be highest, and the income structure has been most completely reversed. In the Polish coal mines, shock workers who attained the highest level of output could in 1948 earn up to 90,000 zlotys per month (£56 at the 1948 £ rate), three times as much as the highest paid civil servant, and more than the managers of the nationalised enterprises.

Obviously the key point in this system is the calculation of the norms, since it is by reference to this standard that the workers' average earnings are fixed. If the norms in any one factory are fixed too low, then the workers in that factory receive incentive payments above the average: and if they are fixed too high, then they earn less. Exactly where the responsibility for fixing the norms lies is difficult to say. The usual answer to this question is that it is the Works Council, the bottom rung of the trade union ladder in each factory, that fixes the norms in the first instance, and that these norms are then controlled by the Ministry of Industry, to bring them into line with each other, since the same norm must be established for the same job in all the different works. There evidently is no hard and fast system, and there is certainly

great variation in practice between the countries. Where the trade union organisation is strong, as in Czechoslovakia, the tendency under the Two Years Plan was to fix the norms too low and pay 'soft' premiums, with the result that money wages in 1948 rose faster than productivity. Where trade union organisation is weak—as in Yugoslavia where for practical purposes it is non-existent—then the planning authority tends to fix the norms too high; and this has led to wage earners leaving industry, particularly the mines, and going back to the land.

✓ The general principle of the wage system is that wages should rise only with a rise in productivity. This means that:

✓ (i) The general wage scales are intended to remain fixed in terms of money, and will increase in terms of purchasing power, as production in general increases, and as prices in general fall. In 1948-49 the purchasing power of wages in general rose, because food production increased, and food prices fell.

✓ (ii) The earnings in any particular factory or industry vary with the achievement of the plan, i.e. the total amount paid out in premiums in that industry is determined by the quantity of goods produced. Money incomes therefore vary with production.

To make the planned economy work, the industrial workers must feel responsible for the success of the plan and feel also confidence in it. They must regard increased production as a way of raising the living standard in general, not as a way of enriching an upper class. Obviously partial nationalisation does not meet the need; the workers in a nationalised industry are not going to work harder because they feel the industry belongs to them, for it does not: it belongs to the nation, and if the nation is still capitalistic, then there is no reason why the workers in the nationalised industry should work harder than others. But if all industry is included, then clearly there can be a new spirit.

In the countries where trade union organisation was strong before, chiefly Czechoslovakia and to a lesser extent, Hungary,

the introduction of the premium system has encountered strong opposition from the industrial workers, and still does, because in the past it meant exploitation. Similarly there has been opposition to the preferential ration system. In Czechoslovakia the miners not only earn about double the average rate of earnings, but they also receive special rations, higher than the rations received by other heavy workers, and roughly double the calory value of the ration received by the ordinary consumer: in mid-1949 the calory value of their ration was 4,000 calories per day, and even in the worst period of food shortage early in 1948 it was 3,000 a day. This has not unnaturally created a sense of injustice among other skilled workers; and it has obviously been difficult to explain why plan priorities justify the higher rates.¹

The more industrialised and capitalistic the country has been, the more difficult is the change, as the Czech example shows. In the Balkan countries, where there was really no trade union organisation before, very much use has been made of voluntary labour, in the form of part-time work by office workers or by brigades. Yugoslavia and Bulgaria have done a great deal of this, and Tito's Government has relied largely on 'working élan' to carry out the plan. In the first stages of reconstruction, when much unskilled labour was needed for rebuilding roads and railways and houses, 'élan' could do miracles, but in a higher stage of planning and in more advanced industrial countries, it is not enough: 'élan' will not make magnetos. In Bulgaria, where at first voluntary labour was used on a large-scale to build dams, the policy now is to reduce it, because it is considered likely to lead to exploitation—a change of policy probably due to the Cominform criticism of Yugoslavia.

In the countries where the industrial workers were relatively

¹ Zápotocký, in a broadcast of October 31st, 1945, said that a deputation of workers from various industries had called on him to ask why they did not get the same rations as the miners, because their work was equally hard and important: he had explained that though this was true, none the less the miners must get special rations because coal was the basis of transport and of all industrial production.

well organised, Czechoslovakia, Hungary, and Poland, voluntary labour is not used, except for special jobs, such as harvest brigades, or special projects to please the peasants. The more difficult problem here is to change the function of the trade union movement from the old principle of resisting exploitation to the new principle of responsibility for higher output.

Without the social revolution, this last change would certainly be impossible. Although in the first two years of planning, 1947 and 1948, the level of real wages had not increased much over pre-war, the position of the workers in relation to the middle class had improved. All large incomes have been wiped out, by the nationalisation of industry and the land reform, and incomes are far more equal. In Poland, large numbers of workers have risen to managerial positions. The redistribution of incomes is not only a matter of the fixed standard income rates: industrial workers take a larger share of the national income through subsidised factory meals, and the extension of social services.

The success of the investment policy in promoting development therefore depends on the success of the wage policy, as well as on the system of the financial control through the system of allocating budgets to each industry. The whole social policy of the government is a way of lessening the burden of investment by levelling up the lower incomes, and at the same time extending social services to all industrial workers. Without the political revolution it would be impossible to invest at the rates which are now being achieved without great hardship and suffering. Hence the success of planning depends on the success of socialisation.

(3) *Food Prices*

An essential part of the planning system appears to be a free, or partly free, market for food and consumer goods. This was instituted only gradually. In the first stages of planning, up to 1948, the difficulty was to induce the peasants to sell enough food to keep the industrial workers fed. Food supplies were very short and agricultural production far below pre-

war levels. With little in the way of consumer goods to buy, the richer peasants preferred to hoard, or to feed grain to livestock, while the poorer peasants, who had gained land from the reform, preferred to eat rather than sell their small surpluses. At this time food deliveries to the towns were the planners' main worry; in the summer of 1947 Gerö, then Minister of Communications, told me that the first figures he looked at every morning were the food deliveries by rail into Budapest on the previous day, since if these did not increase nothing else would.

In the first stage, most of the governments tried to enforce a system of compulsory delivery of food at fixed official prices to the state purchasing organisations. This proved very difficult to enforce, as it always is in a peasant country. Peasant hoarding and city famine at this time was prevalent all over Europe. The east European governments, with their policy of raising workers' living standards, could not follow the west European system of ineffective control of collection and rationing, and a large black market. Either they had to enforce a drastic system of compulsory delivery, or they had to free the market, and subsidise food prices to the workers, by purchasing food at high market prices from the peasants and selling it at low prices to the workers on ration cards. Since compulsory collection proved too difficult to enforce, they abandoned it for the free market, and a double price system, with food at subsidised prices on rations and free or cheap factory meals for industrial workers and state employees, and with the same foods on free sale at high prices, either free or officially fixed. The governments still have a monopoly of grain purchase. The Polish Government buys at the market price, which it can control indirectly through its holdings of imported grain; the Hungarian Government enforces compulsory collection of grain surpluses on acreage quotas, at official prices; up to 1949 there was some black market, but after the 1949 harvest the black market price fell to the official price level. By 1949, Hungary and Poland had gone over to a completely free market with single prices for food, and no rationing. Czechoslovakia and Bulgaria

were still using the double price system, with low-priced rations for different categories of workers, and the same food on sale at high officially-fixed prices. Food in these two countries is not plentiful enough to free the market altogether.

By 1949 there was no longer any serious problem of securing food supplies, except in Bulgaria, where too rapid collectivisation and very drastic price control caused peasant hoarding on a big scale. Food consumption per head in Poland, Hungary, and Czechoslovakia is now slightly above pre-war levels. Grain production has recovered to its pre-war level, and though livestock production has not, there has been an increase in *per capita* food consumption, because there is no export of any size, and because populations are smaller.

None the less, the level of food prices in relation to the level of industrial wages is still a problem. The advantage of the free market is that it does bring in the supplies, and gives the industrial workers incentives to make their premiums. But it means that there is no effective control over food prices, and that the relative level of food prices remains higher than before the war, because industrial production is increasing faster than agricultural production, and will continue to do so. This means that in fact the industrial workers are bearing a disproportionate share of the cost of investment, in relation to the peasants. While the industrial workers earn higher incomes because they are increasing production, the peasants can earn higher incomes because they do not.

✓ So long as food prices remain high, the peasants can use their purchasing power to buy up consumer goods, and the high price of food prevents a rise in the level of industrial wages. If the peasants take too large a share of the increase in the national income, it will be difficult to increase the rate of investment. The conflict between the peasant price policy and the investment policy is most noticeable in Yugoslavia, where the peasants are the only class that can afford to buy consumption goods. Elsewhere, the peasants' purchasing power is limited by taxation to a much greater extent, and in Poland a special policy of low prices for farm equipment is followed,

to attract peasant purchasing power away from consumer goods.

✓ Under the long term plans, the high price of food will continue to be a problem, for the plans will involve a further expansion of industrial employment and a greater demand for food. At the same time, if there is to be any large expansion of east-west trade, the east European countries will need to export food, among other things. For all the planned economies therefore one of the crucial questions is how to increase food supplies, and reduce the cost of food. This is partly a question of costs of production, partly of costs of distribution.

✓ At present, the cost of food distribution is high and the gap between farm prices and retail prices has widened. There is no general system of food distribution. In theory, under 'people's democracy', agriculture was to be part of the 'co-operative sector' as distinct from the 'state sector', comprising nationalised industry, and the 'private sector' comprising small farms and shops. But in fact the idea of an independent 'co-operative sector' did not materialise. There are a very large number of agricultural co-operative societies, some old societies surviving from pre-war times, and some new ones which are simply governmental agencies for the purchase of food. But the co-operative societies do not as yet handle all trade in food, or even the greater part of it; the bulk of farm produce is either sold to government agencies, or to private dealers, or direct by the peasant to the consumer, while the co-operatives handle only a small proportion of the total. At first, attempts were made to expand the old co-operatives into a general form of marketing organisation. For this they had not the equipment, neither transport nor storage space; the old societies were mainly for co-operative credit, not marketing. Where there had been a big marketing network, as in Czechoslovakia, the co-operatives had been a semi-capitalist organisation, which could give their members better terms by taking over the functions of the private trade and sharing its profits. The 'co-operative sector' up to 1948, was neither a voluntary semi-capitalist movement of the old type,

nor an agency of the state. In a planned economy, there was no room for an independent capital-forming organisation, and the co-operatives necessarily had to become part of the planning mechanism.¹

The co-operatives are now being reorganised, with the object of making them the sole channel for the side of food produce. The expansion of the existing co-operatives to handle all farm marketing, and to supply all farm equipment, is one of the main points of the Polish Six Year Plan. Similarly in Czechoslovakia 'united co-operatives' are being set up in every village and market town, to merge all the previously existing societies of various types into one state organisation, with the function of making advance contracts with the peasants for the purchase of all their produce. Though theoretically membership is voluntary, in practice it is of course compulsory, since farm equipment can only be bought through the societies, and the local 'national committees', run by the Communist Party, enforce the contracts by various forms of pressure.

The extension of marketing co-operatives as official purchasing agencies is the first step towards collectivisation. The socialisation of agriculture is needed not only as a means of raising productivity in agriculture, but also, and perhaps predominantly, as a way of bringing farm incomes and prices under control, and spreading the burden of investment more equally. This is why the peasants are now the central problem for all the planned economies.

¹ Cf. Minc, in a speech to the Polish Workers' Party: 'In April 1947, the choice facing the co-operatives was this. Either they would become the specific form by which the broad masses of the population, especially the small producers, are linked with the economy of the people's democracy and its driving force, state industry, or they would become a weapon enabling the small producers, especially the small capitalists, to oppose state control of the people's democracy and to fight for the restoration of capitalism.' (*Lasting Peace*, August 1st, 1948.)

CHAPTER VII

THE LAND FOR THE PEASANTS

THE policy for the peasants in the first stage of the revolution was land reform—the expropriation of the big estates, and the division of the land among the landless peasants. Land reform laws were passed immediately after the new governments came to power—in Poland and Hungary, even before. Under these laws, all estates above a fixed maximum were expropriated. In Czechoslovakia, Poland, Hungary and Rumania, the maximum was 50 hectares (125 acres); in Yugoslavia, 35 hectares (86 acres); and in Bulgaria, 20 hectares (50 acres).¹

In most of the east European countries, this was not a new policy; there had already been land reforms after the First World War, expropriating quite a big area of the land then owned by big estates—radical laws in Rumania, Yugoslavia, and Bulgaria, very moderate in Czechoslovakia and Poland. But the earlier reforms were not complete, and left a fairly large proportion of the land still in the hands of the big land-owners. The new laws of 1945 represented a completion of these earlier reforms, rather than a revolutionary change. Division of the big estates was not a socialist measure: on the contrary, it meant broadening the property basis of society, putting many little farms in place of the estates of the magnates or gentry; its aim was redistribution of income, not re-organising production. Its motive was political—to give the poorer peasants a share in the new social order, in the form which they wanted and understood.

In Hungary, however, the land reform did mean a real revolution, for in Hungary alone there had been no land

¹ Church estates were in general treated in the same way as private land. In Poland they were exempted altogether until 1950, when church estates over 100 hectares were expropriated. In Yugoslavia, they were subject to more drastic expropriation and could retain only 10 hectares (25 acres).

reform after 1919. The distribution of land in Hungary was far more unequal than in any other east European country, and comparable only to the distribution of land in England, Italy, and Spain. About half the land was owned by big estates—gentry farms of around 1,000 acres, and enormous *latifundia* running into tens of thousands of acres. Three hundred families between them owned 6 million acres. Eleven estates exceeded 70,000 acres: the Esterházy estate owned 120,000 acres, and the Catholic Church 100,000. While these vast properties were concentrated in the hands of a few hundred families, the majority of the peasants did not own enough to live on. Out of a total agricultural population of four and a half million, only one and a half million owned peasant farms large enough to feed a family; the remainder, the 'three million beggars', lived on tiny dwarf holdings, or eked out an existence as seasonal labourers on the big estates.¹

The Land Reform law of 1945 expropriated all holdings over 140 acres (100 Hungarian *hold*, or 57 hectares). The large estates of the magnates, over 1,400 acres (570 hectares), were expropriated entirely, leaving no remainder, in order to prevent the large landowner from retaining even a fraction of his former holding which might serve as a foothold to regain his power. The smaller estates, belonging to the gentry and large peasants, were not completely expropriated, but were allowed to retain a holding up to the maximum of 140 acres.

The total land expropriated amounted to about 8 million acres (3,222,400 hectares) or thirty-five per cent. of the land of Hungary. Of this total, 4.7 million acres (1.9 million hectares) were divided among 650,000 families of landless labourers or 'dwarf' peasants, either in the form of independent farms averaging 12 acres in size, or in smaller lots to add to the existing dwarf holdings. The forest land, pastures, and some arable land for state farms, amounting to 3.3 million acres, was taken over by the state. The following table shows that the distribution of land is now far more equal.

¹ See Tibor Mende, *Hungary*, Macdonald, London, 1944, pp. 139-143, on the distribution of land and the numbers of the agricultural proletariat.

THE LAND FOR THE PEASANTS

LAND OWNERSHIP IN HUNGARY BEFORE AND AFTER THE 1945 REFORM

Size of Farm in acres	No. of Holdings	% of Total	Area (acres)	% of Total	Average size of farm (acres)
1935—					
Small Peasants (under 14 acres) .	1,389,254	85.1	4,352,070	19.3	3
Medium Peasants (14-28) .	144,186	8.8	2,836,324	12.6	20
Large Peasants (28-140) .	88,903	5.4	4,491,847	20.0	55
Gentry Estates (140-1,400) .	10,994	0.6	4,101,951	18.2	409
Large Estates (over 1,400) .	1,070	0.1	6,732,388	29.9	6,720
Total	1,634,407	100.0	22,514,580	100.0	14
1948—					
Small Peasants (under 14 acres) .	1,794,504	86.9	8,779,141	39.0	5
Medium Peasants (14-28) .	175,428	8.5	3,905,094	17.3	22
Large Peasants (28-140) .	86,028	4.1	5,116,314	22.8	56
Gentry Estates ¹ (140-1,400) .	9,559	0.5	2,894,136	12.8	300
State Property (over 1,400) .	595	0.0	1,833,896	8.1	3,080
Total	2,066,114	100.0	22,528,581	100.0	11

(Hungarian Statistical Year Book, 1948, figures converted to acres. Forest land is included in these figures.)

¹ Most of the land in this category is now state-owned.

REVOLUTION IN EASTERN EUROPE

The land reform has brought a complete social and economic transformation in the countryside. The sense of liberation is unmistakable, particularly in the villages of the Great Plain, where the peasants were radical before, and fought for twenty years for higher wages. The three years that followed the reform were years of bad harvests, and many of the new owners lacked livestock and farm equipment, so that some of the land had to be cultivated by spade and hoe. Yet in spite of these difficulties, there was an immediate rise in the peasants' standard of living. In 1947, I visited again the same villages that I had known in 1936, where land had now been distributed. The most noticeable change then was better food: the new peasants were eating wheat and rye bread regularly, instead of maize, and drinking coffee with sugar, unknown before. Many families were still living in the old estate barracks typical of the old Hungary, with one room per family, but in every village new three-roomed large-windowed houses were being built, and new wells being sunk. Peasants who had been estate labourers before, and had now become owners of the standard 12 acre holding, said that in a bad year their real income was twice what it had been before, and with a good harvest would be three or four times as high. Their money income was large enough to buy boots for the whole family. Two years later, in 1949, the dominant impression in the villages was the good supply of consumer goods; 'Népboltok'—'People's Shops'—had been started, with a wide range of textiles, shoes, aluminium saucepans, china.

There have of course been some failures: some—very few—new owners have given up their land, for lack of livestock to work it: in such cases as this the state has the right of prior purchase. In the Mezököveszd district, the former centre for the seasonal labour supply, there are still many who received no land, or not enough. In Borsod, one of the blackest poverty spots in the past, there have been bitter quarrels about the justice of the distribution, in villages where the priest and former estate officials frightened off claimants for land in order to keep land for themselves. All this does not affect the general

picture of real progress. Politically and socially, there can be no doubt that the reform was a success, though it left much to be done in the economic sphere. There are still too many 'dwarf' farms; over a million of Hungary's two million farmers have less than 7 acres, and though the small peasant farms average 5 acres instead of 3 as before, the majority of them are still barely large enough to support a family.

Elsewhere, the scope of the change has been smaller, and there is no transformation at all comparable to the Hungarian. In Czechoslovakia, Poland, and Rumania, big estates took up barely twenty per cent. of the farm land, about thirty per cent. of all the land including forests: in Yugoslavia and Bulgaria, their share was even less, not more than ten per cent. of the total, even although the maximum holding was fixed much lower in these countries.

The following table shows the total areas of land expropriated and distributed in eastern Europe, here including Rumania for the sake of completeness. The total area of land expropriated is larger than the total distributed to the peasants, in part because the big estates included forest land, which has passed into state ownership, and in part because fairly large areas of farm land have also been retained in state ownership, for management as state or co-operative farms.

REVOLUTION IN EASTERN EUROPE

THE SCOPE OF THE LAND REFORMS 1945-48

	Total Land Expropriated including Forests (Acres)	Agricultural Land Distributed (Acres)	Maximum Holding (Acres)	Families Receiving Land
Hungary . . .	8,056,000	4,688,225	140	642,342
Poland:				
Old Territories: ¹	10,220,000	4,092,000	125	506,000
New Territories: ²	11,772,000	8,975,000	250	440,000
Czechoslovakia:				
German and Hungarian land:	7,285,000	7,092,500	none	no figs.
Czech and Slovak land: . .	2,227,500		125	no figs.
Yugoslavia . . .	3,890,000	1,993,392	87-100	316,435
Rumania . . .	3,555,065	2,589,125	125	822,170
Bulgaria . . .	1,125,000	1,125,000	50-75	150,000
Total	48,130,565	30,555,242	..	2,876,947

Sources.—*Polish Statistical Year Book, 1948: Hungarian Statistical Year Book, 1948:* for the other countries, official figures quoted in the press.

¹ These figures include land expropriated from Polish estates over 125 acres, and all German land holdings in the former territories of Poland. Of the total expropriated, 8 million acres came from Polish estates, and 2.2 million from German holdings. Up to 1948, 3 million acres had been distributed from former Polish estates, and 1 million from German holdings.

² These totals refer only to estates under 250 acres in size, not to the whole area of the new territories, which is roughly 25 million acres. The remainder is under state administration.

THE LAND FOR THE PEASANTS

In all, 48 million acres were expropriated, and 30 million distributed to three million peasant families (the figures in the last column are not complete). Though the land divided is a large total—as big as the agricultural land area of England and Wales—it represents only some twenty per cent. of the total agricultural area in all these countries together. Poland, Yugoslavia, and Czechoslovakia gained more land from the expropriation of expelled German farmers than they did from the expropriation of their own landowners. Both in Poland and Czechoslovakia, very large areas of farm land have been retained in state ownership.

Though the land reform was an important political measure it did not give the peasants all the land they needed, because in general there was not enough land available. Czechoslovakia alone had more than enough land; the decree of 1945, expropriating German and Hungarian farmers, produced over 7 million acres for redistribution, more than enough for the land-hungry peasants, of whom there are now far fewer than before, because the poorest peasant region, Ruthenia, is now included in Russia. Indeed, in 1946-47, the difficulty was to find enough Czech and Slovak peasants to take over the German land; at one time, there was even talk of bringing in Bulgarian immigrants to settle the borderlands.

Then came the two land reform laws of 1948, affecting Czech and Slovak property. One of these, a temporary measure, enforced the limit of a maximum holding of 250 hectares which in theory had been enforced by the first land reform of 1919, but which political corruption had often evaded. The other enforced a general expropriation of all holdings over 50 hectares (125 acres). This was a class measure and encountered strong political opposition.¹ Most of the land taken over under it—about 2 million acres—is being retained in state ownership for organisation as state farms, since there is so little demand from the poorer peasants. Thus the Czech reforms have not much changed the distribution of farm ownership: the German farms have been taken over by the

¹ See Chapter II, p. 35.

REVOLUTION IN EASTERN EUROPE

Czech and Slovak peasants, while the large farms expropriated from Czech and Slovak owners have been taken into state ownership.

^ In all the other countries, it was impossible to find enough land for all who were entitled to claim it. It was a question of arithmetic: the area of land held by the big landowners at the top of the social pyramid was not large enough, when divided, to meet the needs of the small and landless peasants at the bottom. In Hungary, the greater part of the need was met. But in Poland it was not, and could not have been, though more of the land expropriated might have been distributed than actually has been. In Yugoslavia, Rumania, and Bulgaria, it was impossible to give land to everyone who could claim it, because in the last generation the numbers of the landless farm workers and dwarf peasants had grown enormously. Priority in distributing the land was given first to the landless, then to the dwarf owners with 2 or 3 acres. Outside these two most needy groups, there were many millions of small peasants with barely enough land to live on, who also wanted more land: but their needs could not be met except when the local estate was very large. General standards for distribution were laid down by the laws, but inevitably there was a good deal of variation in the extent to which demands were satisfied: where there had been a really big estate, the peasants received enough; where it was smaller, they received a few acres each: and where there was none, they received nothing.

✓ When the reforms were finished, there were still left a fairly large number of peasants with no land at all—in Rumania, some 300 to 400,000, in Bulgaria 80,000, even in Hungary between 100,000 and 200,000. No figures have been published for Poland, but in the congested south there are certainly large numbers of landless or sub-landed peasants still. So there are too in Yugoslavia, although the reform was very radically enforced, and the principle of 'the land for the peasants' applied so literally that applicants before the Land Court were required to show their horny hands as proof of peasant origin.

Not only was there not enough land for everyone who wanted it, but even those who did receive land received very little. The average holding distributed was about 7 acres per family, and this, of course, is not an economic unit, even by local standards, but the barest subsistence minimum. The average size of farm—about 12 acres before the war—is now smaller still because there are many more small owners.

The effect of the reforms therefore was to throw into still higher relief the problem that existed before, the large number of small farms too small for mechanisation, too poor to intensify. In the chaotic times of 1945-46, the redistribution of land did succeed in stimulating more cultivation, because the new farmers were willing to work harder on their own land; but they did not work more efficiently. From the economic standpoint, the land reform was no solution: it did not create large enough farms, and it did not provide for technical progress.

It must not be concluded that it was a failure. Often in the past the fact that there was not enough land for everybody was used by the landowners as an argument against land reform altogether, and this was of course a false conclusion. The re-distribution did benefit a proportion of the peasants, and those who needed it most. For the most submerged group in the countryside, it meant a real rise in their standard of living. Half a loaf is better than no bread, and seven acres is a lot better than none, particularly in a world where, in Rákosi's words, to be a landowner means to be a citizen.

Socially, the reform has had important effects: it has opened up a new class division in rural society. Before the recent reforms the class division lay between the landowners on the one hand, and the peasants on the other. Although there was much inequality within the peasant class before, between rich and poor peasants, the differences were overshadowed by the vast estates running into thousands of acres. Even when the typical estate was small, as most of the Polish gentry farms were, the landowner by birth and education belonged to a different social class from the peasants.

Now the magnates and the gentry have gone, and the large peasants have become the top stratum in the village, while the landless and dwarf peasants have been levelled up into the small peasant class. There is therefore a much clearer division between rich and poor peasants. The medium-sized peasant farms blur the lines of division, but it is marked in Hungary, Poland, and Czechoslovakia, less so in Yugoslavia and Bulgaria, where the large peasants were not so rich or so numerous. The result of the reforms has not been to equalise peasant property, but to increase the potential conflict between the interests of large and small peasants.

The land reform therefore did not provide a complete remedy for peasant poverty. Nor did those who made them believe that it would, unlike the peasant leaders of a generation ago. The really new thing in peasant policy is that it is considered in economic terms, with real understanding of what the peasants need. The old type of Balkan or Central European politician viewed the peasants in the light of his literary or legal education, with abstract sentimental approval, verging on contempt; he might be, and often was, himself of peasant origin, but the village world was the background from which he had risen, not the real world which he sought to change. The attitude of the new leaders is no longer sentimental or abstract; on the contrary, it is factual and realistic: Rákosi, for example, in discussing the success of the Hungarian land reform, does not talk in terms of abstract principles, but quotes current crop yields and farm prices, wholesale price margins, the level of food consumption on farms. To the old style of politician, that is 'talking like a peasant', and so, in fact, it is; what interests the peasant farmer primarily is how much can he grow and what will he get for it, and in that sense the new leaders speak and think in the peasants own terms more than the demagogic leaders of the old style ever did. But, unlike the peasants, and unlike the political leaders of the past, the new men believe that the new society has the power to conquer peasant poverty, by reshaping the economy and creating new employment and new types of peasant

farming. The root problem, too much labour on the land, cannot be solved only in terms of redistribution of property.

The real significance of the recent reforms lies essentially in the fact that they were complete. They abolished the large estates. They did not provide a new peasant policy, but they cleared the way for one. They did not solve the problem of technical progress: on the contrary, they made a reorganisation of agriculture even more necessary than it had been before. They brought much greater social equality in the villages, but not complete equality by any means, and they have emphasised the gulf between rich and poor peasants. Clearly, the reforms were the preliminary to further change; they were not a final solution, though they were a necessary step towards it.

CHAPTER VIII

COLLECTIVE FARMING

IN all east Europe there are now about twelve million peasant farms, the majority of them under 10 acres, and even the biggest not larger than a large small-holding in England. Collectivisation will mean that all these small units must pool their land and their livestock, and cultivate the land together in large units, using tractor-drawn machinery. The collective farms will divide the total farm income between their members according to the work done by each during the year, instead of according to the earnings of the individual peasant holding. It will mean an immense social change, from private ownership of land to communal ownership; and an equally great technical change, from small-scale horse and ox farming to large-scale mechanised production. It means tearing up by the roots a traditional way of living and farming, and starting a new way.

Yet no one who knew what east European farming was like before can doubt that it was necessary to reorganise the farm system. The problem was the great number of small peasant farms, most of them too small for efficient production, even with horse and ox cultivation. For modern methods of cultivation by tractors, even the largest peasant farms were too small. The new land reform had done nothing to tackle this problem; on the contrary, it created more small farms than before. It was a policy of *reculer pour mieux sauter*; before there could be any reorganisation, the big landlords had to be cleared out of the way. Once that was done, the atomisation of the land system had reached its furthest limit; the next step necessarily had to be towards combining small farms into bigger units, and improving the methods of farming.

To see why reorganisation was needed, it is necessary to look briefly at what was wrong with farming before. The map

COLLECTIVE FARMING

of the village fields, in South Poland, or in Yugoslavia, or Bulgaria, is in itself the most convincing argument for socialisation. In the more over-populated regions, not only are the farms themselves very small, but each tiny farm is divided up into a number of small pieces of land, so-called 'parcels', dispersed in different parts of the village fields. In Yugoslavia, for instance, a 30-acre farm may be divided into 125 parcels, a 12-acre farm into thirty parcels. The craziest patchwork of all can be seen in South Poland, where the original strips have been divided and subdivided till they are less than quarter of an acre in size. In regions like these, the peasants themselves have long realised that there ought to be a better field plan.

Then look at the crops grown on these small parcels, almost all grain; either wheat or maize in the Danube lands, or in Poland either wheat or rye. The following figures show how low the level of output was, as compared with yields in West Europe.

WHEAT YIELDS, 1930-34

West Europe	Cwt. per acre	East Europe	Cwt. per acre
United Kingdom	17·8	Czechoslovakia	12·7
Denmark	23·0	Hungary	10·4
Holland	23·0	Poland	9·3
Switzerland	16·5	Bulgaria	9·2
Germany	17·1	Yugoslavia	8·0
		Rumania	7·1

Before the war, big estates and small peasant farms alike practised extensive grain growing, with a primitive rotation and scarcely any use of fertilisers, either natural or artificial; year after year, wheat succeeded maize. There were plenty of working animals, in fact too many, and on market days the roads would be thick with horse and ox carts going to market. But production of meat and milk was even more backward than the production of grain, and reached only one-fifth of the west European level. The average east European farm produced about one-third as much as a peasant farm in western Europe, yet each acre had to feed, and employ, twice as many people.

It is not surprising that the standard of living was low. The wonder was that the soil did continue to produce at all by these methods; it did so only because the Danube Basin is exceptionally fertile. In the mountain regions, yields were slowly falling.

/ The whole farming system was wrong, because it wasted land and labour by being too extensive. Eastern Europe in fact was practising prairie farming of the kind that is suitable for countries with very sparse population and big reserves of land, but not for countries with a very dense farm population and no land to spare. What was needed was more intensive farming, to raise output per man and per acre—better cultivation, more fertilisers, more varied crops, particularly fodder crops and oilseeds, to get away from the wheat-maize rotation and at the same time to produce more food for livestock. The poorer peasants ate their maize and sold their wheat; what they should have done was to feed the maize to pigs for sale and eat their wheat; but this they could not do unless they could produce more all round. More intensive farming would have raised the productivity of labour and the fertility of the soil, and brought a rise in the very low nutritional standard both in the towns and in the country.

/ These are in fact the lines of development foreseen by the plans—a great increase in production of livestock, more fodder, more industrial crops, more vegetables, brought about by more fertilisers and more machinery. Without a planned and socialised economy, it would have been impossible to raise the level of efficiency in farming. For what prevented the peasants from improving their methods before was not ignorance, so much as poverty—their own poverty, and that of the towns. Better farming did not pay because food prices were low, and in the nineteen-thirties were falling, while the cost of fertilisers and machinery was too high and labour cheap. Now, because industry is expanding, wages and industrial employment are rising and the demand for food increasing, while fertilisers and machinery are growing cheaper in terms of farm produce. In Poland, for example, one hundred

kilograms of wheat in 1948 brought fifty per cent. more fertiliser and 100 per cent. more farm equipment than in 1938; the price ratios are fixed in this way to stimulate more production. At the same time, the plans are drawing labour off the land, which necessitates the gradual reorganisation of farming in order to save labour.

✓ In fact, the collectivisation of agriculture only makes sense if it is tied in with the change over from extensive to intensive farming, and with the general policy of industrial development. To have started by reorganising agriculture in large mechanised units, without any industrial expansion, would not have helped the peasants at all, because it would have meant simply more rural unemployment and a fall in the price of food. But when the demand for food is increasing, labour is leaving the land, and large-scale production of tractors and fertilisers is already under way, then it is necessary to tackle the reorganisation of agriculture itself. Collective farming is really a way of injecting the new supplies of agricultural equipment into the peasant economy by socialist means—through the poorest classes in the village, the small peasants.

✓ But, if the aim is more intensive production, more livestock and less grain, is large-scale mechanised production really necessary? Production of milk and livestock is usually regarded as a speciality of peasant farming; and in western Europe peasant farms do practise very intensive farming and reach high levels of output. So far, mechanised collective farming has only been tried in Russia, where the system of farming, both before and after collectivisation, was more extensive even than in the Danube lands. Is it really necessary, if grain production is not to be the sole object, to reorganise in bigger units? Is it not a doctrinaire policy, unsuited to the development of intensive production which might take place as well, or better, on individual peasant farms?

There is something in this argument. Certainly there could be technical progress within the framework of peasant farming—more fertilisers, for instance, could easily be used without reorganising agriculture, and would make a great difference

to yields. Certainly mechanisation in the Danube lands cannot achieve the quick increase in production that came in Russia through the opening up of vast stretches of uncultivated land, for though there is some land suitable for reclamation, it is not a large area in relation to the whole, and there are no great reserves of uncultivated land which could be brought into cultivation. The main increase has to come through the better cultivation of existing land, not by bringing new land under the plough. But though in practice collective mechanised farming has been used mainly for extensive cultivation, there is no reason why it should not be used for intensive production too, and there are very good reasons why it should be.

In the first place, although the main emphasis now is on increasing livestock production, the basis of the farm system must remain grain, and livestock fodder will have to be produced in an arable rotation; there can be no question of going over to pasture farming, or to mixed farming of the west European type, because the climate of the Danube region is too dry for good hay or root crops. For this reason the kind of dairy farming which prospers on family farms in western Europe can never be developed, and in any case, only the larger peasant farms would be large enough. In western Europe, there is really no class of farmers corresponding to small grain growing peasants of Poland and the Balkans; the small farms which do exist in countries like Belgium or Switzerland are highly capitalised and specialised market gardens or dairy farms, while the mixed farming family farms are much larger, corresponding in size to what are now called kulak farms in eastern Europe. In the more advanced regions, such as the Czech provinces, where the climate is wetter and farms are bigger, farming certainly could advance on west European lines, and in fact already has done so. But in eastern Europe in general it will never be possible for intensive individual peasant farming to develop on the same lines as peasant farming in western Europe, simply for climatic reasons.

In the whole of the Danube basin and most of the Balkans, machine cultivation would have two great advantages. One

is that it would get the soil sown more quickly. The great obstacle to better farming everywhere east of the Danube is the extremely dry climate, and the frequency of drought. The spring sowing season is short, and if the danger of drought is to be avoided, the seed must be in the ground by early May. As things now are, the peasants are often late with their sowing, and in consequence lose the crop. The variation in rainfall causes great fluctuations in harvests from year to year. Machine cultivation would tend to stabilise grain yields, by reducing the danger of drought—provided, of course, that adequate measures against soil erosion were taken at the same time.

The other advantage is that mechanisation would enable the peasants to keep fewer working livestock. As things now are, the peasants struggle to keep more working livestock than the farms can support, because of the short sowing periods, and horses and oxen have to be fed many months in the year when they are not working. If the peasants could cut down the numbers of their working livestock, they could keep more pigs and cows for meat and milk production. Thus machine cultivation is really an indispensable condition for more intensive farming, an aid towards it, and not an alternative. The east European countries have to evolve a new type of farming altogether, combining better cultivation of the arable land, on a larger scale, with better feeding of livestock.

That is easier said than done. The technical and economic arguments may be convincing, but will they convince the peasants? Granted that large scale mechanised farming can improve efficiency, will it offer to the peasants, or to the majority of them, clear enough advantages to attract them to join voluntarily in a collective farm, and give up their own land and livestock? For they do not, and if the peasants refuse to work the new system, and slaughter their cattle rather than join in collective farms, then there will be a shortage of food which will wipe out the benefits of more efficient farming. The Soviet experience was a grim lesson; collectivisation brought two years of famine, and an immense slaughter of livestock which it took ten years to make good. That explains

why the policy has brought dissension inside the east European governments, and why they are handling it as high explosive. Great emphasis is laid on the provision in the co-operative laws that membership is voluntary; and the word co-operative must always be used, not collective. The cautious official attitude is proof enough of opposition.

Can the change really come on a voluntary basis? What is the attitude of the peasants? That is a question which it is impossible to answer in general terms. There are great differences in living standards, education, methods of farming between the different countries, even between different regions in the same countries. The Czech peasants are more like English small-holders than Balkan subsistence farmers, the Vojvodina peasants in Yugoslavia resemble German peasants more than the poor shepherds of Bosnia. Above all, there is the big difference between rich and poor peasants, between the well-stocked 50-acre farm, and the dwarf peasant farm with 3 acres and a cow.

The communist view is that there is an inevitable antagonism between the poor and the rich peasants, a class war in the village, and that this war can be won only through collectivisation. According to Leninist theory, peasants are divided by their economic interest into small, middle and large. The small peasants are a poor semi-proletariat with not enough land to live on, who would gain by collectivisation. The middle peasants are those who, in Lenin's phrase, would waver; they are family farmers who own enough land to live on, and produce a surplus for the market, but employ no paid labour; they waver because their gain from collective farming would be uncertain. The large peasants are the capitalist farmers, employing labour, and they would certainly be opposed to collectivisation, since it means the loss of their larger incomes.

This division does correspond to the broad social divisions in the village. But in assessing the relative importance of the different classes, the difficulty is to tie these categories to a fixed size of farm, and to say exactly where the dividing lines are to be drawn between small and middle, and between

middle and large, for conditions vary from country to country. The small peasants are usually defined, for statistical purposes, as the farmers with less than 5 hectares, or $12\frac{1}{2}$ acres. Of course, in more advanced regions, such as the Czech provinces, a farm of 12 acres may produce enough to keep a family, because methods of farming are fairly intensive. But farms below this size in the less advanced countries are on the border line of subsistence, and cannot adequately feed or employ the peasant family. On the whole, this classification does correspond to the small peasant category. Everywhere this group of peasants forms the majority of the farmers and owns some twenty to thirty per cent. of the land. These peasants would certainly gain from collective farming, since they would be more fully employed and would produce more, if they were working with more equipment on a bigger acreage. At present, most of these little farms are uneconomic, because they can hardly afford to keep a working animal.

Yet in spite of their poverty, and indeed because of it, the small and dwarf peasants cling to their tiny holdings, not because they make profits out of them, but because they are the one form of security which they know. Experience of the past has taught them to fear the state as their enemy. To-day the propaganda of the Church against collectivisation as the instrument of the devil reinforces that fear. On the other hand, the poorest peasants often feel a strong sense of social cohesion with each other, for they are all workers on the same level of poverty. Many years ago, a peasant's son in a very poor Polish village told me that 'Handzlówka is a collective'. In such villages as this was, peasants are inter-related, borrow each others' tools and horses, live in a community of poverty. Provided that joining the collective farm means security, more to eat and better farming, the small peasants would certainly favour it. But they must be convinced that it does mean these things; if they are forced to join, then they would cling to their two or three acres just as much as the big farmer clings to his 50 acres.

The small peasants, then, are easy to define. What is far more difficult is to draw the dividing line between the middle

REVOLUTION IN EASTERN EUROPE

peasants and the kulaks. If the test of a kulak peasant is the employment of labour, then only the largest peasant farms of 50 to 125 acres can be so defined. But these really large peasants are a small class, three to five per cent. of the farmers, owning only ten to twelve per cent. of the land. The larger family farms, with 25 to 50 acres, which do not regularly employ labour, but which own about twice as much land and cattle as the average, are just as likely to be opposed to collectivisation. In practice, the term kulak is now used to include all the better-off farmers, whether they employ labour or not. There is as yet no general definition of what acreage constitutes a kulak; indeed, in Czechoslovakia and Poland, it would be too dangerous to define the enemy too clearly, because the kulaks are many. But in Bulgaria and Hungary there is a rough standard—in Bulgaria, all peasants with more than 10 hectares (25 acres) and in Hungary, all peasants with more than 20 *hold* (28 acres), are now regarded as kulaks. If these divisions are taken as the basis for a general classification—small peasants up to 12 acres, middle peasants from 12 to 25 acres, and kulaks over 25 acres, then it is possible to get an idea of the relative importance of the different classes in the countryside. This table shows the proportion of the total number of farmers, and the proportion of the total land in each class in 1946-47.

LARGE AND SMALL PEASANTS

	Bulgaria		Hungary		Czechoslovakia ¹		Poland
	% of Farms	% of Area	% of Farms	% of Area	% of Farms	% of Area	% of Farms
Small Peasants (under 12 acres)	67	35	87	39	69	14	58
Middle Peasants (12-25 acres)	25	39	8½	17	15	15	26½
Kulaks (25-125 acres)	8	26	4	23	15	35	15
State Property (over 125 acres)	(no figure)		½	21	1	36	½
	100	100	100	100	100	100	100

¹ Czech provinces only.

√ The small and middle peasants together represent eighty to ninety per cent. of the number of farmers, and in Bulgaria and Hungary they own seventy-four per cent. and fifty-six per cent. of the land. In Czechoslovakia the kulaks own thirty-five per cent. of the land, more than the small and middle peasants together. For Poland there are no acreage figures, but judging from the pre-war figures, it is probable that there too the kulaks own more than the small and middle peasants. Thus the importance of the kulaks varies from country to country.

√ This, then, is the social structure which has to be transformed, under the slogan of Lenin 'while relying on the poor peasants, and establishing a durable alliance with the middle peasants, march forward towards socialist construction!' The present phase is the 'establishing of a durable alliance' with the middle peasants. That is why for the moment the communist leaders do not wish to define the kulak too exactly. It is frequently said that it is attitude and not acreage that makes the kulak. Rákosi, for example, asked who the kulaks were, recently told a peasant audience that the question was unnecessary—they themselves would know best who were the kulaks in their own village. For the present, the kulak question remains in the background. The larger peasants pay proportionately heavier taxes and must deliver bigger grain quotas, but there is as yet no talk of expropriating them. The class war in the villages is still a war of words—and not very exact words. The rich peasants are unpopular, but their present opportunities for exploitation cannot be very great; they cannot do much exploitation of labour, since the land reform reduced the number of landless labourers and for those that remain wages are fixed by trade unions. The most they can do in the way of exploitation is to hire horses and tractors to poor peasants at higher rates, and now that the Machine Tractor Stations are spreading even the scope for this is limited. The real danger which the kulaks represent is their power to frighten off the middle and small peasants from the co-operative farms. Eventually, no doubt, they will be expropriated; for the moment the question does not arise. The immediate

REVOLUTION IN EASTERN EUROPE

problem is to convince the smaller and middle peasants that they will benefit by co-operative farming, and to demonstrate its advantages. At the moment it is the middle peasants who are the centre of the problem, for while the smaller peasant would certainly gain a higher income from joining the co-operative, the middle peasants might not, and it is they who will be hard to convince.

✓ To win over as many as possible of the middle peasants for collective farming, a form of co-operative organisation has been chosen which is not a full collective, but a transitional form, known as the labour production co-operative. This is a co-operative which the members join voluntarily, pooling their land for machine cultivation. Working livestock and cows and pigs are also pooled, though each family can keep a cow or pig for its own needs. At the end of the farming year, the total income is divided among the members, partly in accordance with the work done by each during the year, calculated in labour days; and partly in accordance with the area of land which each owner has put into the common fund, so that the middle peasants who put in more acres get a larger income in the form of rent than the small peasants. In this feature, the labour production co-operative differs from the Soviet form of collective, in which all income is distributed according to work done. However, the proportion of the total income which can be paid out as rent is limited by the co-operative laws to twenty-five to thirty-five per cent. of the total, so that it is impossible for the co-operative to become a purely joint stock venture, as it would be if the whole income were to be divided according to the land owned by each farmer.

By the middle of 1949, there were a number of these production co-operatives working in all the east European countries, Bulgaria and Hungary leading with 1,600 and 1,500 each, Czechoslovakia with only forty. At this time the co-operative farms covered only a small part of the total farm land, Bulgaria with an easy lead of ten per cent., Hungary with three per cent., the rest with less. Most of these co-operatives were small groups, nuclei for expansion and not yet

fully equipped. Most had been started where there were specially favourable conditions, where new land was being settled as, for example, on former German land in the western territories of Poland. It was obviously easier to start the new system fresh, when the peasants were not already dug in on their own farms.

Up to the present, only Bulgaria has really succeeded in bringing into the co-operatives large numbers of peasants, even middle peasants, who were already peasant farmers before. The movement has been more rapid and more nearly spontaneous than elsewhere, because the peasants of Bulgaria have long been co-operatively minded. The idea of the labour production co-operative is not new to them; it had been advocated as long ago as 1920 by Stambulisky, and one or two such co-operatives actually struggled into existence at that time; so now the idea can be sold as specifically Bulgarian, as indeed it is. There is also the great advantage of an unusually equal distribution of property. Small and middle peasants represent ninety-two per cent. of the farmers, own seventy-four per cent. of the land, while the kulaks, themselves averaging only 37 acres per farm, own only twenty-six per cent. of the land. These small farmers are materialistic and practical, to whom the idea of using a tractor to save labour seems reasonable enough, without the magic aura that surrounds tractors in Yugoslavia.

Co-operative farming began in Bulgaria well ahead of other countries, and before the Cominform communiqué announced the change of policy. A Co-operative Law laying down the principles for forming labour production co-operatives was passed in 1945. By 1947 there were 500 such co-operatives in existence, covering 700,000 acres or five per cent. of the land. The Two Years Plan aimed at increasing their numbers to 800, and doubling the acreage. This was achieved; by mid-1949, there were 1,600 such co-operatives with 157,000 members and 1,500,000 acres, or ten per cent. of all the land.

Even by 1947, before there was enough machinery, it was

obvious that the results were technically good. The co-operative farms showed much higher yields than the average. The greatest rise in yields appeared where the peasants had introduced small-scale irrigation schemes, as for instance at the Dimitrov farm at Rezhevo-Konare. Here, in 1947, 340 families, or half the village, had joined in a labour production co-operative, and were farming together an area of 850 hectares (2,100 acres). About 1,000 acres had been put under pump irrigation, to produce rice and vegetables as well as grain, and on the irrigated land yields were already twice as high as in the drought-stricken neighbouring villages. Membership was quite certainly voluntary; in every village where labour production co-operatives had been started a large proportion of the peasants had stayed outside and continued to farm in the old way, chiefly because they could by doing so continue to sell in the black market. On the village threshing floor, the co-operative peasants could be seen threshing by machines driven by grid electricity, while a little way off the individual peasants drove their own oxen over the corn in the old Turkish way. At the time there was no doubt that a fairly large section of the peasants were willing to join, and the main obstacle to forming more such co-operatives was the shortage of machinery.

The results were so good that in the Five Year Plan, beginning in 1949, it was decided to push on rapidly with the formation of these co-operatives and to spread them to include sixty per cent. of farm production by the end of the plan in 1953. But even in Bulgaria it has proved difficult to push ahead too fast, without violating the voluntary principle. At the Congress of the Bulgarian Workers' Party in June 1949, it was found that the creation of some of the co-operatives had in fact violated the laws. According to the resolutions of the Congress:

'In the formation of the co-operative farms, instead of strict compliance with the laws, Government directives and Party instructions, throughout almost the whole country there have been irresponsible requisitionings of the best and most favourably located land, which is incorporated in the co-operative areas, while the

COLLECTIVE FARMING

private farmers are given in exchange distant and barren plots. Farmers are not being compensated in accordance with the quantity and real value of the land. In the creation of the co-operative farms in certain isolated cases private farmers have had their sheep taken at fixed prices for inclusion in co-operative farms (the village of Liubenovo-Mahala, county of Nova Zagora). Good land which has been well developed by sowing is being taken over in exchange for ordinary land of poorer quality; communal pastures are being requisitioned in flagrant violation of the Law on Real Estate.

'Under such methods the peasants either become dissatisfied and fall under reactionary influence, or inimical relations are created between co-operative and private farmers, or else peasants are forced to join co-operative farms while they are still unconvinced of their advantage, violating thereby the voluntary principle in the formation of co-operative farms and compromising our policy of co-operation in agriculture.

'These weaknesses and errors make it possible for kulaks and other reactionary elements in the village to pose as defenders of the economic interests of the working peasants, to get them under their influence, and thus to undermine the union between workers and working peasants which is the basis of our people's democratic rule.'¹

In consequence, the Congress decided to modify the stringent law for grain collection introduced in 1947, and to allow the peasants to sell part of their production in the free market. They also decided to take measures to rectify the mistakes made in the formation of the co-operative farms by returning requisitioned land, in order to take the desires of individual farmers into account.

No other country has gone ahead so fast as Bulgaria, and no other country has yet encountered the very sticky problem of exchanging and combining holdings. This arises because of the field lay-out; the different holdings of the members lie scattered in different parts of the fields, and those who want to join the co-operative and pool their land for co-operative

¹ Resolutions of the Central Committee of the Bulgarian Communist Party, quoted in *Free Bulgaria*, July 1st, 1949.

working must first get all their holding into a consolidated piece by exchanging their strips with those who remain outside. Naturally this causes friction, and is almost impossible to carry through without pressure from above.

In Hungary, most of the existing co-operative farms sprang into existence in 1948-49, after the new policy was announced, though a few had started before. The present distribution of land property is favourable, for small and medium peasants together amount to ninety-five per cent. of the farms, and own fifty-seven per cent. of the land, while the kulaks own only twenty-three per cent. But they are large kulaks, and can reckon on all the support of tradition—the Catholic Church, and the adherents of the old regime in the village, former estate bailiffs, and the remaining gentry. All these have made energetic propaganda against the land reform, first saying that those who claimed land would be punished when the rightful owners returned with the Americans and British, and then, when this did not happen, that the reds would drive the peasants into the dreaded *golhaz*, with collective meals and collective wives. When Rákosi, speaking at Kecskemét in August 1948, announced the change of policy, the effect was devastating, for it seemed to confirm all these threats. Few knew what a *golhaz* was; one government speaker in a village was asked if it was true that two waggon-loads of *golhazok* had arrived at the station.

The first object of communist policy therefore was to dispel these fears, to avoid the word, and to prove that producers co-operatives were better than individual farming. This has certainly been done. The groups started in 1948-49 have been given every kind of help, in the form of credits, fertilisers at cheap rates, tractor service from the Machine Tractor Stations at special rates, livestock for fattening on credit, expert advice; and they have shown good results, due chiefly to the use of fertilisers.

The following figures show the higher grain yields on co-operative farms, compared with the average on individual farms in the same village:

COLLECTIVE FARMING

WHEAT YIELDS ON CO-OPERATIVE AND INDIVIDUAL FARMS IN HUNGARY

Village	1949	
	Co-operative	Cwt. per acre Individual (average)
Kiszembér	20½	14
Makó	18½	12
Baracska	10	7
Acs	17	13½
Kunszentmarton . .	12	8½
Vasszilvagy	20	14
Becsehely	20	12

Naturally, these results are impressive to the Hungarian peasants, who know what good farming means. In the first year, it was the very poorest peasants who joined—those who had not received land from the reform, or who had received too little to make a go of independent farming. For these peasants land was found to start co-operative farming by a special law passed in August 1948, under which the state took over tenancy of all land leased to tenants, on holdings over 50 acres. This was the first measure against the kulaks, who either leased out their own land to small peasants, or rented land from the former gentry who still had quite substantial farms. By this law about 140,000 acres came into state occupation and on this land the first groups were started, the capital also being provided by the state. For the most part these groups were small, between 100 to 200 acres, with ten to twenty families in each. After the first year's working, they showed such good results that the small and even medium-sized peasants began to join in, chiefly because they had not enough livestock to work their holdings. One typical group in Baracska (County Fejér) started in 1948 with fourteen families of landless labourers, on 200 acres of land previously rented by a kulak; at the end of the first year, in September 1949, thirteen other families joined, adding their own holdings amounting to another 250 acres. Up to that point, the group had divided the total income equally among its members;

when the other peasants joined they became a producers' co-operative, dividing income partly according to work, partly according to land put in.

Obviously, at some later stage, there is likely to be a conflict between the peasants who put in land and those who did not. In 1949, Erdei, the Minister of Agriculture, told me that he was already receiving requests from co-operatives asking for permission to give up the payment of part of the farm income as rent, and to divide all income according to labour. These requests have been refused, because the co-operatives are regarded as only a transition to socialism, not yet a fully socialised form of production. To turn the existing groups into full collectives, at this point, would mean that the middle peasants would cease to join.

The government allows co-operatives to start only with an official licence. Otherwise the law can be evaded, and there have been some attempts by former farm bailiffs to start bogus co-operatives with themselves as managers. More licences are applied for than can be granted, because there is not yet enough machinery. The movement is becoming more spontaneous. By September 1949, there were 1,150 producer co-operatives of various types in existence, with 50,000 members and 500,000 acres of land, about three per cent. of the total farm land.

Successful as it has been, there is one danger, peculiar to Hungary: that the new co-operative farmers may easily tend to slip back into the attitude of farm labourers and regard themselves as employees of the state, rather than as joint farmers of the land, responsible for the success of the farm. That is inevitable, because the government, in the first stage, is the universal provider of cattle, machinery, experts. Only four years ago most of the new farmers were workers on estates, and have had no time to acquire initiative and responsibility. Significantly, on two co-operative farms visited on 1949, the advantage which the older men stressed was that it spread the risk of a lost crop, or animal diseases, and offered an equal return. They said, too, 'we can produce more for the govern-

ment.' Some co-operatives have even suggested to the Ministry of Agriculture that they would like a guaranteed minimum wage, the government making up the difference if the farm showed a loss. This proletarian attitude the government aims at removing by insisting on full repayment of the short term loans by which the co-operatives are financed, so that the members should feel responsible for the success of the farms working. Of course, the attitude affects only some groups; there are others where there is real initiative and responsibility, for instance the remarkable co-operative at Sarkad, which started as a full collective in a burst of revolutionary enthusiasm in 1945. This group of former land workers, after many experiments at dividing the income on different principles, has now settled down as a producers' co-operative and certainly manages its own affairs; it hired its own 'bourgeois agronome' long before the general drive started.

In Poland, the rate of development of producers' co-operatives has been slow, and by mid-1949 only one per cent. of the peasants had joined.¹ There has been high-level dissension within the government and even Minc himself, it is rumoured, has been criticised for too much caution. But caution is necessary, because the news of the change in policy was followed by a sharp falling off in food supplies to the towns and by riots in the villages. The policy is therefore strategic—to prepare the technical basis first, by 'saturating' the countryside during the Six Years Plan with fertilisers and machinery, and at the same time channelling all farm sales and purchases into marketing co-operatives. Then the social basis must be prepared, in the Peasants' Self-Help, the school for collective farming, where the younger generation of peasants is being trained for administrative work (co-operative farming requires rather elaborate book-keeping). In the meantime, various inducements to join co-operatives are offered, and the government has accepted several suggestions arising from the peasants

¹ According to *Życie Warszawy*, quoted in *Polish Facts and Figures*, April 1st 1950, in March 1950 there were 650 labour production co-operatives, covering 400,000 acres. By the end of 1950, the total is to reach 2,000.

themselves—for instance, that producers' co-operatives should have the right to purchase cattle and equipment at market prices from prospective members; and that peasants who join co-operatives should be exempted from their payments to the land fund, obligatory for those who received land under the reform.

In the old Poland, the development will certainly not be easy—in Central Poland, where there is a large class of extremely conservative well-to-do peasants, and in Southern Poland, where the need is greatest, because the peasants are still so thick on the land in tiny units that it will be difficult to advance until about half the peasants have left the land.

Most of the existing co-operatives are in the western territories. Here the former Junker estates, with their great expanses of land, and their massive farm buildings, do seem to call for large-scale working. But the greater part of the land has been settled in fairly large individual family farms, ranging from 12 to 50 acres, and the settlers have been given individual title to their holding. In the early stages, a number of co-operatives were started simply as temporary expedients because they had not enough machinery or cattle. Many of these decided to dissolve after the first year or two, because the peasants found it difficult to agree together, and could not decide how to manage the farm. One difficulty they encountered was that the co-operative cattle were neglected in favour of cattle privately owned. Others have surmounted these obstacles and in 1948 were working well—on one such farm, at Tyniec near Wroclaw, a group of forty young families from the very poorest part of Galicia were farming together an estate of 1,200 acres, and getting as good crops as its former German owner; their average income per head was eight times what it had been in the old village.

The most difficult terrain of all, of course, is Czechoslovakia. In Slovakia, where the peasants are poor, and would benefit, the Church has a strong hold over them and opposes collectivisation; the communists have very little support in the villages. In the Czech provinces, the difficulty is that the

peasants as a class are all capitalistically minded. The Czech peasants are commercial small farmers with savings bank accounts, and read technical journals; before 1939 the majority belonged to the now prohibited Agrarian Party. The technical level of farming is far in advance of that of the other countries; a tractor is not a sensation in a Czech village, and fertilisers are generally used, so that there is not the great scope for advance that there is, for example, in Bulgaria. Even the small farmers are not a revolutionary element, for most of them are only part-time farmers, industrial workers or artisans with a large allotment. The core of the Czech peasantry are the farmers with 12 to 50 acres, who own forty per cent. of the land, and are as much kulaks in mentality as the really big farmers with 50 to 125 acres. Starting the class war in a Czech village at present is like striking matches on a wet box.

At present the government cannot push co-operative farming directly and no propaganda is being made for it. The policy at present is to leaven the lump of village society by three lines of action—extending the activity and control of the marketing co-operatives through the communist-controlled national committees; rapid expansion of the Machine Tractor Stations to mechanise farming completely by the end of the plan; and the promotion of various social activities in the village—communal nursery schools, laundries, baths.¹

Though their existence is not advertised, there are about forty producers' co-operatives in existence. These have been started in villages where there is unusually strong communist leadership, which has persuaded the local peasants to short-circuit the land reform by taking over a recently expropriated farm and working it jointly. More important than these groups are the state farms, which have been organised on the land taken over by the 1948 reform from large farmers; they now cover about 2 million acres, and are intended to be models of large-scale production, particularly for livestock fattening. Evidently the policy is to socialise the land by this means,

¹ The baths have definitely caught on, and there is an unexpected demand for showers at 5d. and hot baths at 10d.

rather than by combining existing farms, which could hardly be done without very strong economic pressure, in the form of differential taxation, or preferential prices for co-operative producers.

At present, the policy of collectivisation is only in its first stage. In this stage it is really voluntary, except for the Bulgarian excess of zeal which has been recognised as a mistake. The policy has been extremely well thought out from every standpoint, social, technical and economic; and it is impossible not to admire its strategy, particularly in Hungary. It is not a doctrinaire forcing of an unwanted pattern on to recalcitrant peasants, but has aimed at demonstrating the advantage of better farming, and the security which the producers' co-operative offers. Technically, the results are remarkable, far better than could have been expected, and show what machinery, fertilisers and irrigation can do; the increase in yields gives some idea of what can be achieved when better farming has spread out more widely.

But, of course, the change is only beginning, and does not as yet affect a large proportion even of the small peasants. It has begun among those who have everything to gain and nothing to lose. The crucial question of how large a proportion of the middle peasants will come in has not yet been decided, and the question of what to do with the kulaks has not yet arisen. Judging by the results to date, it is possible to hazard a guess that where the technical advantages are very great and where the kulaks are not strong as a class, as in Bulgaria and as in Hungary, the majority may come in voluntarily. Where the kulaks own a large proportion of the land, it is difficult to believe that the majority will come in without very strong economic pressure amounting to compulsion. Either the development must be very slow, or there will be a crisis in food supplies.

CHAPTER IX

THE ECONOMIC CONSEQUENCES

TO-DAY the economy of Europe is divided into two halves. The agrarian half is planning for rapid industrial expansion, through a high rate of investment from internal sources. The western industrial half is only able to pay for its essential imports by means of dollar aid.

Eastern Europe, if the plans are not to be extremely costly, needs trade with the west. It could lighten the burden of investment if it could import capital equipment and machinery, and industrial raw materials, chiefly wool, cotton, and rubber. Western Europe, to reduce its dollar deficit, needs eastern Europe's former staple exports of food, timber, coal, and non-ferrous metals. According to an estimate made by the Economic Commission for Europe, western Europe would be able to cut its current dollar deficit by one-fifth, if the volume of trade were to recover to its pre-war level.¹

The needs of the two halves of Europe are therefore complementary. But trade between them does not expand: in 1948, trade between eastern and western Europe reached only forty-two per cent. of its pre-war level: and in 1949 there was no appreciable recovery from the low level of 1948.²

The main obstacle to the expansion of east-west trade is now political.³ The west European countries receiving Marshall aid have been compelled to enforce an embargo on the export of strategic goods, as defined by the State Department's secret list, which apparently covers almost all machinery and capital equipment. So long as this embargo remains in force, there

¹ *Report of the Ad Hoc Committee on Industrial Development and Trade*, 1948.

² *Economic Survey of Europe in 1948*, Tables 82 and 85, and *Economic Survey of Europe in 1949*, p. 91.

³ See *Economic Survey of Europe in 1949*, p. 94: 'In the final analysis, however, the major reason for the stalemate in east-west trade . . . is clearly the political cleavage between the east and west.'

REVOLUTION IN EASTERN EUROPE

cannot be much expansion of east-west trade. Cold war has also prevented long term lending to eastern Europe through the U.N. Special Agencies. None of the east European countries has obtained any long term loans from the International Bank (with the exception, of course, of Yugoslavia)¹ because the State Department has refused to sanction them. In 1946-47, the Polish, Czech, and Hungarian Governments made applications for long term loans to the Bank, the largest application being the Polish, for a loan of six hundred million dollars. The Bank made very detailed investigations into the state of the Polish economy, through a special visit of its representatives in 1948; and had economic motives predominated, there can be no doubt that this particular loan would have been granted, for the recovery of Polish coal exports was certainly an all-European interest. But all these applications were rejected. Even short term loans have been cancelled; after the rejection of the Marshall aid offer in 1947, the credits already granted to Poland and Czechoslovakia by the Export Import Bank for the purchase of American cotton were withdrawn.

The object of American policy in enforcing the embargo on trade, and in refusing to sanction the long term loans, is to build up western Europe for strategic reasons, and to check the spread of communism. The use of the economic weapon against eastern Europe is a consequence of the revolution, and its purpose is to cripple the plans. It followed on the refusal of the east European Governments to attend the Paris Conference discussions on Marshall aid in 1947. Yet of course this invitation cannot have been genuinely intended. The Marshall aid appropriation was sanctioned by Congress for the express purpose of checking the spread of communism. Had the east European governments taken part in the Paris discussions,

¹ To April 1950, Yugoslavia had received credits of \$40 million from the Export Import Bank for the purchase of materials in the U.S.A.; an advance of \$9 million from the International Monetary Fund; the promise of a \$25 million loan from the International Bank; and a \$2,700,000 loan from the International Bank for timber machinery.

THE ECONOMIC CONSEQUENCES

they would certainly have received no dollar aid, and probably no dollar aid at all would have been granted. American resentment at the rejection of the invitation is clear enough proof that the real motive was to use the offer of dollar aid to exercise political pressure, since if the object was simply to enable European countries to tide over a trade deficit, it would obviously be all to the good if some countries could dispense with it. Generally speaking, the east European countries do not need dollar grants to cover current trade deficits, in the same way as the west European countries do, because, with normal harvests, they can be self-sufficient in food supplies. The 1947 harvest, however, was not normal, and at the time that the Marshall invitation was issued, both Poland and Czechoslovakia did need emergency food imports on a large scale. These were supplied by the Soviet Union, so that the rejection of the invitation did not have its expected result.

Both for western and for eastern Europe, the use of the economic weapon will have serious effects.

On the part of the east European countries, there is no intention of forming an autarkic economic unit cut off from the west. On the contrary, the east European Governments, particularly Poland, have continually pressed for an expansion of trade with the west, through direct trade negotiations, and through the Economic Commission for Europe. Contrary to what is generally believed, Russia does not dominate the trade of eastern Europe, though its share in the total has of course increased. In 1948, half of eastern Europe's total foreign trade was with western Europe, one quarter with the Soviet Union, and one quarter was trade between the east European countries.¹ Rumania and Bulgaria trade predominantly with Russia; Czechoslovakia, Poland, and Hungary, by far the largest exporters, trade predominantly with the west. The Soviet share in total exports is not likely to increase; at present Russia takes some of the chief export commodities, such as Rumanian oil and Bulgarian tobacco; but it does not require imports of

¹ *Economic Survey of Europe in 1948*, Table XVI and p. 145.

REVOLUTION IN EASTERN EUROPE

either food or timber, which formerly made up more than half of eastern European exports.

The Soviet Government, could, if it chose, use its political power to exploit the east European countries. As a result of the transference of German assets in the ex-enemy countries to Russia under the Potsdam agreement, the Soviet Government controls some of the most important industries in Hungary, Rumania, and Bulgaria through a fifty per cent. interest in the state companies, in Rumanian oil, Hungarian aluminium and other industries. Though this control is used to secure essential supplies, it does not therefore constitute exploitation. The aim of Soviet policy is to secure a firm basis for the new regimes in the quickest possible rise in living standards through industrialisation. Soviet purchases of industrial raw materials in the sterling area of wool, cotton, and rubber, obtained under the trade agreement with Britain, have been used to supply eastern Europe; and Rumanian maize has been supplied by Russia to Britain under this agreement. How much financial assistance the Soviet Government has given in total is not known. Poland is the biggest beneficiary; a Soviet loan to the value of \$450 million payable over eight years was granted in 1948, to provide the blast furnace and steel foundry needed to double Polish steel production under the Six Years Plan. Bulgaria received one complete power station in 1946, and is to receive more, partly on credit, for the Five Year Plan. Czechoslovakia received a long term credit under the 1947 trade agreement. Hungary has not received any Soviet aid, and is still paying reparations; reductions in the reparations total have been used to strengthen the government, the largest reduction being made in 1948, to signalise the general nationalisation of industry. Probably Soviet financial aid is not large in relation to the total investment required by the plans; but certainly Russia is putting more into eastern Europe than it is taking out. It is not able to supply eastern Europe with sufficient industrial raw materials, or with consumption goods, or with farm equipment on a large scale.

Eastern Europe therefore needs trade with the west. The

THE ECONOMIC CONSEQUENCES

short term plans were realised without foreign help, and probably the long term plans will be achieved also. But without more trade, the burden will be heavier, and the rise in living standards much slower than it need be.

On the east European side, the main obstacle to the increase of trade with the west up to 1949 was the inevitably slow recovery of agricultural production.¹ Now that food supplies are approaching the pre-war level, there is no reason why exports of food should not recover also, even allowing for a rise in consumption per capita, because populations are now much smaller.² With the increase in agricultural production contemplated under the plans, there is no reason why food exports should not rise well above the pre-war level. The scope for technical progress in agriculture is so great that increased supplies of fertilisers and machinery are certain to lead to large increases in yields; a report of the Economic Commission for Europe has estimated that if crop yields per acre were to rise to the level of eastern Germany before the war, eastern Europe could supply western Europe with the greater part of its food import requirements.³ An increase of output to that level would be quite possible from the technical standpoint, and could easily be achieved, if sufficient supplies of fertilisers and machinery were available, which could be obtained partly by increased internal production, and partly by larger imports. The increase of fertiliser production in eastern Europe requires imports of equipment which west European countries could now supply. West European industries also have sufficient capacity to export large quantities of nitrogen and phosphate

¹ Before the war, east European exports to western Europe averaged three and a half million tons of grain, one million pigs, 200,000 head of cattle, and 78,000 tons of eggs (*Survey of Economic Situation of Europe (1947)*, p. 140). Up to 1947, no export of food was possible, because agricultural production was still well below pre-war levels. Czechoslovakia, Poland, and Yugoslavia imported grain up to 1947 through UNRRA, and Czechoslovakia, Poland and Bulgaria in 1947-48 from the Soviet Union. Timber exports in 1948 were also far below the pre-war level of five million tons.

² See Appendix, Table I, and *Economic Survey of Europe in 1949*, p. 272.

³ *Report of the Ad Hoc Committee on Industrial Development and Trade, 1948.*

REVOLUTION IN EASTERN EUROPE

fertilisers; and surplus capacity in tractor production which could well be used to supply east European countries. There is no technical or economic obstacle to the expansion of trade in food, fertilisers and farm machinery; it is indeed an all European interest.¹

Bigger exports of timber would also be possible if more timber-cutting machinery could be imported. To promote this increase, the Economic Commission for Europe in 1948 prepared a scheme under which western European countries agreed to supply timber-cutting machinery on credit, in return for additional timber exports from eastern Europe. The scheme was never carried through, because the International Bank refused to issue the credits (except to Yugoslavia and Finland).

In addition to food and timber, there are other possibilities of expanding exports. At present, for instance, western Europe obtains from non-European sources more than one-third of its lead ore and half of its zinc requirements, which could be covered by supplies from Poland and Yugoslavia. Hungary has the largest bauxite deposits in Europe, and could increase its aluminium production to a level sufficient to cover all Europe's needs, yet at present western Europe is importing one-third of its aluminium from overseas.

Against the expansion of east-west trade, it is often argued that from the west European standpoint there is the disadvantage that the expansion is likely to be short-lived, and that once the east European countries have industrialised they will no longer want to import machinery from the west. But, as the report of the E.C.E. Industrial Development Committee points out, this argument runs counter to all previous experience of economic development. Industrialisation is not a process which is completed and comes to a stop; once the primary industries have been developed there is certain to be a further expansion of secondary industries. A rise in living standards and productivity is likely to lead to a steadily in-

¹ See E.C.E. Industrial Raw Materials Committee, *Report on Possibilities of Increasing Production and Trade in Fertilisers, Tractors and Farm Machinery*, 1949.

THE ECONOMIC CONSEQUENCES

creasing demand for imports and an increased capacity to export. In the past, increasing industrialisation and a rising standard of living have always been accompanied by an expansion of trade, and the greater part of world trade has always been carried on between the more advanced industrial countries. So long as the agrarian half of Europe remained poor and backward, trade was not able to expand; and in the view of the E.C.E. Committee, the prospects for a large extension of east-west trade 'depend entirely on whether the east European countries can successfully engage on a process of economic development and industrialisation'.

British trade with eastern Europe (not including Russia) increased by about fifteen per cent. in 1949, as a result of the long term agreements with Poland and Yugoslavia. The Anglo-Polish Agreement, concluded in January 1949, makes Britain Poland's biggest customer; it covers trade to the value of £130 million each way over five years, and provides for British exports of wool and other industrial raw materials, machinery and other capital equipment in return for Polish exports of bacon, eggs, and timber. The first agreement with Yugoslavia, reached in December 1948, covered trade to the value of £15 million in each direction in 1949; the second agreement, reached in December 1949, covered trade to the value of £110 million each way over five years; it covers Yugoslav exports of maize, timber, and non-ferrous metals, as before the war, in return for British exports of raw wool, woollen yarn, cotton yarn, crude oil, motor and aviation spirit, electrical insulating material and building equipment. Yugoslavia is to spend £30 million on capital equipment in Britain of which £8 million will be supplied on credit. Britain also has a smaller long term trade agreement with Czechoslovakia, reached in September 1949, which covers trade to the value of £36½ million each way over five years, in addition to a compensation agreement by which Britain takes Czech imports to the value of £15 million over five years in settlement of claims for compensation for British property and of government debts. Up to the present Britain has no trade agreements with Hungary, Rumania, and

REVOLUTION IN EASTERN EUROPE

Bulgaria. In the case of Hungary, the negotiations were prolonged by the excessive demands made by British firms as compensation for nationalised property; and they were finally broken off by the British Government at the end of 1949, as a protest against the arrest of Mr. Sanders. British trade policy, except in the case of Poland, has been inspired by the same motive as the American; and it has shown itself particularly harmful in reinforcing American policy in hampering the expansion of east-west trade through the Economic Commission for Europe, particularly in the case of the International Timber Agreement in 1948, where the British delegation did its utmost to prevent the agreement from being reached.

The use of the economic weapon against the communist governments does western Europe more harm than eastern Europe. It means that western Europe has excluded one important way—and the only immediately practicable way—of reducing its payments deficit. As the *Economic Survey for 1948* pointed out, the dollar gap problem is no longer a problem of the west European deficit, but of the American surplus. By 1948, west European industry in general had recovered to its pre-war level of output and the emergency imports needed in the immediate post-war years had been reduced. The deficit had been reduced to about half its 1947 level; and the real problem was no longer that western Europe was buying too much, but that the United States was buying less. Unless the United States completely changes its policy (and with the growing 'threat' of large food surpluses there is no sign that it will do so), the difficulty of selling to the United States will increase, and there will be no prospect of achieving a balance of payments. As surplus industrial capacity in western Europe increases, the need for expansion of trade with eastern Europe will increase also.¹ Such an expansion

¹ Cf. *Economic Survey of Europe in 1949*, p. 92. 'Given the expansion which has occurred in western European manufacturing production, particularly in heavy industry, and the slowing down of demand for engineering products, it is clear that production is no longer limiting the ability of western European countries to supply goods of the types demanded by eastern European countries.'

THE ECONOMIC CONSEQUENCES

would not mean, of course, that the entire west European deficit could be covered, but it would mean that it could be considerably reduced, and that western Europe could gain directly from the east European expansion. The development of trade with steadily expanding markets, and steadily expanding supplies of essential imports, would enable the west European countries to introduce some element of stability into their own foreign trade.

From the east European standpoint, the economic weapon certainly does harm, in that it makes the plans harder to realise and slows down the rise in the standard of living. But it does not neutralise the really vital change, the fact that the people of eastern Europe have an economic future. To reverse that direction, to return to the stagnation of the past, would now be impossible. Looked at in terms of material resources, the plans are what the region essentially needed. Looked at in terms of human life they are what the region needed too; they mobilise untouched resources of human energy and enthusiasm. They have brought material benefits to the mass of the impoverished peasants and workers; and not only material benefits; they have released an immense social potential. 'Throughout the East, the common man is over-ripe for a constructive lead, an increased status in society and a greater share of its rewards. So backward is the peasantry of the area that a very small concession in these things is likely to yield multiple returns in enthusiasm and effort.'¹

It is this gain in status that the west cannot understand. Western critics will now often admit too that there is some economic progress, and that the plans are successful, in terms of production. But the success, it is believed, is being achieved at the cost of political freedom, by police states, by regimentation and Soviet domination. What is not understood is that the plans have a political content, in that they give a place in society to the class of poor peasants, the submerged class which was growing so rapidly between the wars. No system of parliamentary government could have given this class any

¹ Howard K. Smith. *The State of Europe*. Cresset Press, 1950, p. 281.

representation, simply because they were inevitably inarticulate and submerged; they had no united economic interest and no political influence. To give them a place in society needed an investment policy, a complete break-up of the deep freeze of the past, and for that policy the peasants themselves could provide neither the impetus nor the mechanism; they were just the unemployed 'surplus'.

The essential economic change could not have been carried through, in eastern Europe in 1945, through a system of parliamentary democracy. Had British and American policy prevailed in eastern Europe, the institutions of democracy would have been used by the powerful and privileged as a weapon of reaction, to prevent social and economic progress. To interpret the present revolution in terms of constitutional rights, in the spirit of nineteenth-century liberalism, is of course impossible: the conception of freedom as the right to dissent—to freedom of speech, of the press, of religion—has no meaning in this revolution. From the standpoint of communist theory, the conception of enforcing individual rights against the executive is meaningless, for on that theory the exercise of the absolute power of the executive is essential to secure the guarantee of the economic and social rights of the individual. The executive is the Communist Party, in process of carrying out the revolution. To allow any power to the opposition, in this process, necessarily means betraying the revolution itself. Any action which opposes or criticises communist policy may be interpreted as a plot to overthrow the government; any link with the west, however trivial, or however official, may be interpreted as espionage; any inefficient organisation or wrong decision may be interpreted as sabotage. Since western intervention is a real threat, there can be no place for difference of opinion, and no safety valve for opposition; the conflicts which arise must be settled by treason trials. To the western mind these are revolting, intelligible only in terms of abnormal tensions. So far as the guarantee of individual political rights is concerned, the constitutions mean nothing at all.

THE ECONOMIC CONSEQUENCES

In positive terms, the right to education, to employment, to a better standard of living, to equal pay for women, the constitutions are completely and absolutely genuine, because the planned economy makes them so. In the planned economy, the emphasis necessarily has to be on the contribution which the individual makes to society through the economic unit in which he belongs. Within that unit, there is emphasis on individual initiative, on discovering new processes, on labour-saving organisation, on good workmanship; personal success is identified with social achievement. The general impression is that many people are called upon to do jobs beyond their capacity, instead of below it. In any Polish factory, or any Hungarian village to-day, there is far more local initiative and more local responsibility than there was before. The sterile isolation of town and country is being broken down, and the veneer of imitative culture of the Balkan capitals has been cracked. There is far less gulf between town and country.

The new society, however dehumanised it sounds in official propaganda, is far more humane than that of the past, in the simple sense that it offers the working population a place; it gives social function to economic activity. It is true that there is no room for the conception of personality in the sense of cultivated eccentricity, or as a marketable commodity; but the new society does necessitate a much fuller development of personality through the social virtues of responsibility and organising ability in every unit. What is hard for the western mind to take is that there is so much morality; the sphere of moral judgement is far wider, moral judgements are more absolute and more integrated with the social order than in our own world. It is this quality of single-mindedness which gives the communist *ethos* its prestige. In the sphere of government, it has a real function to fulfil; to the sophisticated old central European bourgeoisie the new generation seems childish, priggish, ridiculous; but it is setting a new standard in the old atmosphere of corruption.

'The people' do not feel regimented, so much as perpetually activated. All the real changes in society have had to follow

the change in institutions. The desire for socialism, the motives for working a socialist system, have to be generated after the expropriation of the former ruling classes. The Communist governments must necessarily believe that their task is different in theory from what it is in practice. In theory, victory in the class war itself brings socialism, and all these new activities and achievements spring from the workers. In reality, the Communists themselves are the motive force which transforms society, and unless they lead the drive for higher productivity, more education, more co-operative farms, the change in institutions itself achieves nothing. They are forced to take up two positions which seem inconsistent. On the one hand they want to be popular, and to feel that the people believe that they, not the government, are achieving the plan. But if the Communists do become popular, the danger is that they cease to be the spearhead of the ceaseless drive; they become nationalist. Inevitably, in the present international situation, and perhaps of its own nature, the dynamic can turn back on itself. The danger is that the governments, in the conflict with nationalism and in fear of western intervention, may strangle the enthusiasm behind the new social principles, just as western Europe, in fear of Soviet aggression, is strangling itself economically.

Eastern Europe to-day is not an achieved social order, with accepted social values and the 'way of life' of a static society. It is a backward, illiterate, mainly peasant society, in process of transformation by the communist drive. It is the sense of movement that is the real achievement, in the place of the old hopelessness and helplessness. The standard of living is still very low in comparison with that of western Europe—not with that of Italy, of course, or Greece. The new social services are poorly equipped; the administration of the plans is often inefficient. Even on the top level, the planned economy is not a streamlined system, so much as an exciting muddle in which the direction makes sense. The new regimes offer real progress, an incredible advance on the past: they are still on the threshold of the greatest and most difficult struggle, the collectivisation of agriculture.

APPENDIX

TABLE I

CHANGES IN POPULATIONS Total Population (E, Estimate ; C, Census)

	Pre-war	Post-war
Czechoslovakia .	15,263,399 (1937 E)	12,164,095 (1947 C)
Poland . .	35,090,000 (1938 E)	NF ¹ 23,800,000 (1948 E)
Hungary . .	9,038,189 (1937 E)	9,201,158 (1948 E)
Yugoslavia .	15,490,000 (1938 E)	15,751,935 (1948 C)
Bulgaria ² . .	6,273,000 (1938 E)	7,022,206 (1946 C)
Rumania ³ . .	19,646,151 (1937 E)	15,872,624 (1948 C)
Total	100,800,739	83,812,018

¹ NF=new frontiers. The pre-war population of Poland within the present frontiers is estimated to have been 32,100,000.

² The increase in population in Bulgaria is due chiefly to the accession of the South Dobrudja.

³ The decrease in Rumania is due to the cession of Bessarabia and North Bukovina to the Soviet Union, and of South Dobrudja to Bulgaria.

TABLE II
AGRICULTURAL SURPLUS POPULATION IN EASTERN AND
SOUTH-EASTERN EUROPE IN 1937

	Total Population	Agricultural Population (in thousands)	Agricultural Surplus Population	% of Agri- cultural Population
Poland . . .	34,515	21,090	5,000	24
Czechoslovakia:				
Slovakia . .	3,815	2,175	1,075	49.5
Ruthenia . .	810	540	466	86
Rumania . . .	19,646	15,000	2,950	20
Hungary . . .	9,035	4,749	850	18
Yugoslavia . .	15,400	11,400	4,000	35
Bulgaria . . .	6,319	4,070	1,145	28
Greece	7,013	4,350	1,040	24.3
Total	96,553	63,374	16,526	26

These estimates were prepared by the Committee on Reconstruction for the Royal Institute of International Affairs and are contained in the Committee's *Memorandum on Agricultural Surplus Population*. Estimates of total population differ in some cases from the official estimates quoted in Table I above. Estimates of surplus agricultural population made by different experts vary considerably—for Poland, for example, other authorities consider that the figure should be 7 rather than 5 million. The methods of computation are fully explained in the Memorandum.

TABLE III
FULFILMENT OF PRODUCTION PLANS IN EASTERN EUROPEAN COUNTRIES
Percentages

Sector	POLAND				CZECHOSLOVAKIA			
	1947		1948		1947		1948	
	Production as per cent.		Production as per cent.		Production as per cent.		Production as per cent.	
	of Plan of 1946	of 1938 ^a	of Plan of 1947	of 1938 ^a	of Plan of 1946	of 1938	of Plan of 1947	of 1938
TOTAL . . .	120	124	107	119	92	110	97	..
Agriculture . .	101	104	106	125	67	75	90	105
Mining . . .	122	128	125	124	101	110	100	109
Manufacturing . .	122	156	110	133	101	87	103	118
(a) metals and engineering	..	180	..	..	97	97	102	124
(b) other manufacturing	..	..	..	..	..	..	..	120
Building . . .	139	117	95	135	..	130	85	160
Transportation . .	101	122	110	129	98	123	107	111
Trade (internal) . .	..	127	105	103	..	..	..	..

^a Index number refers to pre-war production in pre-war territory.

TABLE III (continued)

Sector	HUNGARY				BULGARIA			
	1947/48		1949		1948		1949	
	Production as per cent.		Production as per cent.		Production as per cent.		Production as per cent.	
	of Plan of 1946	of 1938	of Plan of 1948	of 1948	of Plan of 1947	of 1938	of Plan of 1948	of 1948
TOTAL	103	137	87	..	..	..	..	..
Agriculture	99	128	75	100	86	138	102	..
Mining	105 ^a	121	127	109	..	..	..	..
Manufacturing	108 ^b	164	95	142	99	139	168	130
(a) metals and engineering	127	..	131	..	106	..	..	..
(b) other manufacturing	..	..	..	..	..	..	..	..
Building	107	..	110	116	102	102	143	107
Transportation	102	134	85	107	99	102	143	128
Trade (internal)	103	130	83	..	..	..	98	114

Source.—This table is based on table 93, in *Economic Survey of Europe in 1948*, U.N. Economic Commission for Europe, Geneva, 1949, p. 171, revised in consultation with the Research Division of the Economic Commission for Europe, to include later information for Hungary and Bulgaria.

NOTE.—The data are based on gross value of output, except for Hungary, where they refer to the net value of output.

^a For the last five months of 1948 100 per cent. of plan, 107 per cent. of 1947 and 144 per cent. of 1938.

^b For the last five months of 1948 110 per cent. of plan, 152 per cent. of 1947 and 121 per cent. of 1938.

TABLE IIIA

INDUSTRIAL PRODUCTION AND PLAN FULFILMENT IN 1949

	Unit	POLAND		HUNGARY		CZECHOSLOVAKIA	
		Production	% of Plan	Production	% of Plan	Production	% of Plan
Coal	Million tons	74.5	100	11.8	103	17.0	101
Lignite	Million tons	..	..	..	..	26.5	..
Coke	Million tons	5.8	108	..	..	6.5	..
Crude Petroleum	Million tons	..	107	0.5	99	..	..
Electric Power	Million kWh	8,188	105	2,360	107	8,200	102
Iron Ore	Thousand tons	700	105	428	121	500	..
Crude Steel	Thousand tons	2,308	113	850	110	2,700	..
Tractors	Number	..	125	2,600	116	..	..
Cement	Thousand tons	2,389	120	550	137	1,738	..
Nitrogenous Fertilisers	Thousand tons	359	120	67	..	33 ^c	..
Superphosphates	Thousand tons	409	110	90	104	60 ^c	..
Cotton Yarn	Tons	67,686 ^a	107	22,500	107	75,797	103 ^d
Woollen Yarn	Tons	27,163 ^a	106	17 ^b	101	35,399	..
Shoes	Thousand pairs	6,840	123	4,250	107	..	..

Sources.—For Poland, *Gospodarka Planowa*, No. 1, 1950; for Hungary, official figures of State Planning Office; for Czechoslovakia, *Statistický Zpravodaj*, No. 1, 1950, and *Economic Survey of Europe in 1949*.

^a Cloth. ^b Million metres.

^c Fertiliser content.

^d Index for textile production.

TABLE IV
COUNTRIES FOR THE END-OF-PLAN PERIOD
PLANNED PRODUCTION IN EASTERN EUROPEAN
Quantities and index numbers based on pre-war and on pre-plan year

Sector	Quantitative units	YUGOSLAVIA (1951)			CZECHOSLOVAKIA (1953)			BULGARIA (1953)			HUNGARY (1954)			POLAND (1955)		
		Quantity	Index numbers 1950 = 100	1949 = 100	Quantity	Index numbers 1952 = 100	1948 = 100	Quantity	Index numbers 1948 = 100	1948 = 100	Quantity	Index numbers 1948 = 100	1949 = 100	Quantity	Index numbers 1948 = 100	1949 = 100
Mining:																
Coal:	Million tons				20.8	125	118	6.5	312	163	..	..	..	90	134 ^a	120
Brown coal and lignite	Million tons	16.5	272		32.2	178	135	..	..	500	18.5	198	160	..	..	..
Iron ore	Thousand tons	1,500	245	98	1,400	76	98	..	..	..	..	..	..	..	..	..
Electricity:	1,000 million kWh				11.2	273	149	1.8	857	229	4.2	300	191	18	225 ^a	220
Metalurgy and engineering:																
Pig iron	Thousand tons	550	545	2,700	161	170	170	20	..	1,666	..	..	..	..	..	..
Crude steel	Thousand tons	760	323	3,500	152	133	133	10	..	..	1,600	247	180	4,000	200 ^a	175
Locomotives	Number	300	480	667	157	..	..	..	..	..	..	..	..	..	..	..
Wagons	Number	5,780 ^a	30,000	7,700 ^a	..	..	..	1,300	..	..	9,000	511	281	..	..	..
Tractors	Number	1,500	..	20,000	8,333	222	..	..	..	..	4,600	575	177	12,000	..	600
Motor vehicles	Number	6,000	..	24,000 ^a	296	182	..	..	..	..	..	..	..	18,000	..	..
Gross output of engineering industries ^a	Millions of 1948 dollars	65	688	825	336	193	..	..	650	580	530	399	218	670	412	280
Building materials:																
Bricks	Million pieces	1,376	215	1,300	115	140	..	0.7	335	146	1.05	310	191	..	..	..
Cement	Million tons	2.2	330	2.6	..	..	..	..	..	..	..	..	..	..	..	..
Wood and paper:																
Sawn-wood	1,000 m ³	1,700	..	2,800	..	..	..	1,230	205	115	..	..	..	3,500	65 ^a	109
Paper	Thousand tons	46	829	320	165	123	..	..	..	..	..	..	..	..	..	..
Chemicals:																
Nitrogenous fertilisers	Thousand tons	350	481	214	184	194	..	40	..	..	310	757	462	980	381	240
Superphosphates	Thousand tons	..	..	399	128	103	..	..	..	..	330	767	273	878	532	200
Textiles and clothing:																
Cotton yarn	Thousand tons	47.4	206 ^a	114.2	128	168	..	..	..	..	38.4	203	170	137.3	177	170
Wool yarn	Thousand tons	..	..	41.8	154	131	..	..	..	..	28 ^a	200	165	49.5	145	152
Shoes	Million pairs	..	208	72.5	132	113	..	8 ^a	..	..	..	..	..	..	..	..

Sources: — This table is based on table 115, in *Economic Survey of Europe in 1956*, p. 203. Figures for the Hungarian plan have been revised in consultation with the Research Division of the Economic Commission for Europe, in accordance with the final version of the plan which appeared after the publication of the Survey. Figures for the Polish plan have been revised in accordance with more recent official statistics. Figures for the Czechoslovakian pre-war production are in terms of the present territory. ^a In terms of freight wagons. ^b Including 1,500 freight wagons. ^c No pre-war or 1948 production. ^d No pre-war production. ^e No pre-war production. ^f No pre-war production. ^g Defined as the value of final output (including the cost of materials) without duplication. ^h Base of the index numbers: 1946. ⁱ Millions of metres of woollen cloth. ^j Of which 3 million pairs factory produced, the remainder hand produced.

TABLE V
DISTRIBUTION OF PLANNED INVESTMENT IN EASTERN EUROPEAN COUNTRIES
Millions of dollars in 1948 prices and percentages

Country and period	Capital expenditure (millions of dollars)		PERCENTAGE DISTRIBUTION OF INVESTMENTS					
	Total	Yearly	Mining and manu- factures	Transpor- tation	Agricul- ture	Housing	Public Services	Other invest- ment
Poland:	1947-1949 . 1950-1955 .	1,950 ..	39 ..	24 ..	13 ..	9 ..	11 ..	4 ..
Czechoslovakia:	1947-1948 . 1949-1953 .	1,340 5,800	36 41	22 16	7 8	20 12	15 22	— 1
Hungary:	1947-1949 . 1950-1954 .	570 3,285	32 47	27 17	9 18 ^a	12 11	20 5	— 2
Yugoslavia:	1947-1951 .	2,900	43	26	8	23		
Bulgaria:	1947-1948 . 1949-1953 .	221 850	45 40	15 19	6 13	11 5	17 19	6 4

Source.—*Economic Survey of Europe in 1948*, p. 203, figures revised for Hungary.
^a Including drainage, irrigation and expenditure on livestock, fertilisers and seeds.

TABLE VI
PLANNED INCREASE OF GROSS PRODUCT, MANPOWER
AND PRODUCTIVITY IN EASTERN EUROPEAN COUNTRIES

Percentage change during the Plan period^a

Country and sector	Total Plan period			Yearly average		
	Out-put	Man-power	Productivity	Out-put	Man-power	Productivity
<i>Czechoslovak (1949-1953) Plan:</i>						
National product .	48	5.6 ^b	..	8	1.0	..
Agriculture . .	37	-4.3	..	6	-0.8	..
Manufacturing .	57	18.5	32	9	3.4	6
Handicrafts . .	20	..	..	4	..	..
Building and construction	130	50.0	53	18	8.0	9
Transportation .	40	..	30	7	..	5
<i>Bulgarian (1949-1953) Plan:</i>						
National product .	85	..	..	13	..	..
Agriculture . .	57	..	..	9	..	..
Manufacturing .	119	38	62	17	7	11
Building and construction	..	21	90	..	4	14
Transportation .	41 ^c	28	30 ^c	7 ^c	5	5 ^c
<i>Hungarian (1950-1954) Plan:</i>						
National product .	63	..	..	11	..	..
Agriculture . .	42	..	..	7	..	..
Manufacturing .	86	24	50	14	4	8
<i>Polish (1950-1955) Plan:</i>						
National product .	74	..	..	10	..	..
Agriculture . .	36	-8.5 ^d	..	5	-1.4 ^d	..
Manufacturing .	90	38	42	11	5	6
Building and construction	100	33	50	13	5	7
Transportation .	60	12	42	8	2	6
<i>Yugoslav (1947-1951) Plan:</i>						
National product .	93	..	..	14	..	..
Agriculture . .	52	..	..	8	..	..
Manufacturing .	394	198	66	37	24	11
Mining	..	..	90	..	..	14
Handicrafts . .	50	..	—	8	..	—
Building and construction	..	..	56	..	..	9
Transportation .	150	..	—	21	..	—

Source.—*Economic Survey of Europe in 1948*, p. 204, figures revised for Hungary.

^a Per cent. of last pre-plan year for each country except Yugoslavia, where the base is 1939.

^b Change in total manpower.

^c Railways only.

^d Estimate.

INDEX

- Agrarian Party, in Bulgaria, 12, 17, 20-22; Czechoslovakia, ix, 10, 161
- Agricultural Production, x, 81-83, 88, 91-92, 97, 100-104, 142-147 167
- Agricultural Over-Population, x, 79, 111, 176
- Agricultural Co-operatives, Marketing, 129-130; Production, *see* Collective Farming
- Agricultural Machinery, 167
- Allatini Chrome Mines, 19
- Aluminium production, 98, 168
- Balogh, T., *The Dollar Crisis*, 112 n.
- Barankovics, 30
- Barker, Elizabeth, *Truce in the Balkans*, 69; *Macedonia*, 78
- Bartlett, Vernon, *East of the Iron Curtain*, 109
- Bata, 19, 34, 96
- Beneš, President, xii, 2, 9, 17, 33, 36-37
- Bessarabia, 69, 175
- Bierut, President, 46, 89
- Bor-Komorowski, General, 7
- Bor Copper mines, 19
- Boris, King, vii, ix, 12
- Breslau, *see* Wrocław
- British trade with eastern Europe, 169
- Catholic Church, 5, 17, 27, 30, 31-32, 53, 132, 156
- Church estates, 131
- Coal, 79, 82, 86-87, 90, 106-107, 113, 163-164
- Collective farming, 42 *et seq.*, 83, 91, 128, 142-162; in Bulgaria, 104, 153-155; Czechoslovakia, 160-161; Hungary, 42, 156-159; Poland, 159-160; Yugoslavia, 56
- Cominform, 47 *et seq.*, 108
- Communist Parties, in Bulgaria, 12-13, 20-22; Czechoslovakia, 10-11, 33-36; Hungary, 14, 28; Poland, 6, 24, 27; Yugoslavia, 5, 48, 56
- Communist Policy, 3-4, 16-17, 18, 34, 38-46, 48 *et seq.*, 62, 74-77, 131, 140, 148, 172-174
- Consumer Goods, 82, 112-113, 116
- Co-operatives, Marketing, *see* Agricultural Co-operatives
- Co-operatives, Production, *see* Collective Farming
- Council for Mutual Economic Assistance, 108
- Copper (Yugoslavia), 19, 56
- Curzon line, 67-68
- Cyrankiewicz, Josef, 26-27
- Czechoslovakia's New Labour Policy*, 95 n., 96 n.
- Danube Basin, 100, 102-103, 107, 144
- Danube-Tisza Canal, 99
- Debrecen Government, 2, 13
- Democracy, People's, 18; defined 38-46
- Dimitrov, Dr. G. M., 21
- Dimitrov, Georgi M., 21-22, 44, 74
- Dimitrovo (Pernik), 101
- Diósgyőr-Miskolc, 99
- Dobrudja, 69, 175
- East-West trade, 112, 129, 163 *et seq.*

INDEX

- Economic Commission for Europe,** 163, 165, 167, 168-169; *Survey of Economic Situation of Europe (1947)*, 167; *Economic Survey of Europe in 1948*, 163, 165, 178, 182, 183; in 1949, 163, 167, 170, 179; *Report of Committee on Industrial Development and Trade, 1948*, 79, 163; *Report of Industrial Raw Materials Committee*, 168
Elections, in Bulgaria, 22; Czechoslovakia, 33; Hungary, 28, 30, 32-33; Poland, 24-26; Yugoslavia, 20
Electric Power, 82, 91, 98, 101, 105, 102-103, 107, 108
Employment in Industry, 84, 89, 92, 96
Engineering Industries, 82, 94, 180-181
Erdei, F., Minister, 158
Esterházy, Pál, 32, estates 132
Export Import Bank, 57, 164

Fatherland Front (Bulgaria), 60
Food exports, 167
Food supplies, 127-128, 167
Food Prices, 126-130
Free Bulgaria, 155 n.
Frontier changes, 3 n., 64-68, 85-88

Garam R. power scheme, 108
Georgiev, General Kimon, 12, 22
German minorities, 33, 65, 67-72, 93, 137
Grol, Milan, 19
Gomulka, Wladislaw, 26, 58, 61
Gerö, Minister Ernő, 31, 59, 60, 98, 115, 127
Gottwald, Premier, 35-36, 38, 75
Goldman and Flek, Problems of Economic Planning in Czechoslovakia, 117 n.

Hapsburg, Otto, 32
Hebrang, Minister Andrija, 19, 49 *et seq.*, 61
Horthy, Admiral, vii, 12, 28, 29
Hungarian minorities, 68, 70, 75-76
Hungarian Statistical Yearbook, 1948, 133 n., 136 n.

Industrialisation, x, 79 *et seq.*, 96
Industrial Location, 92, 96, 99-101
Industrial Production, 80-82, 87, 90-91, 93, 99, 100, 177-179
Industrial Workers, 20, 31, 34, 81, 89, 95, 98, 120, 122-126
Inflation, 117-119, 121
International Bank, 57, 164
International Monetary Fund, 164 n.
Investment, 82, 84, 94, 111-112, 116-122, 126, 182
Iron Gates, 108
Irrigation, 99, 154

Jovanović, Dragoljub, 20
Jovanović, General, 61

Kadlec, Stabilita Meny, 117 n., 118 n.
Kardelj, Minister, 53
Katowice, 27, 85
Kidrić, Minister, 53, 54
Kosice programme, 10, 33, 36, 74
Kostov, Traicho, 58, 61, 101, 115
Kulaks, defined, 148-151, 157

Land Reform, 4, 14, 131-141; in Bulgaria, 136-138; Czechoslovakia, 11, 35, 137-138; Hungary, 28, 131-136; Poland, 24, 136; Rumania, 136; Yugoslavia, 131, 138
Lasting Peace, 43 n., 44 n., 46 n., 130 n.
Lenin, 148, 151
Liberation Front (Yugoslavia), 5, 19
Lublin Committee, 6, 7, 9

INDEX

- Lublin Programme, 7, 74
 Lulchev, 21, 22, 23
- Macedonia, 3 n., 47, 74, 77-78
 Masaryk, Jan, 35, 37
 Marshall Aid, 35, 164-165
 Mende, Tibor, *Hungary*, 132 n.
 Mihailović, 3, 5, 20, 61
 Mikolajczyk, Stanislaw, 8, 9, 24, 25, 26, 41; *The Pattern of Soviet Domination*, 7
 Minc, Minister Hilary, 43, 54, 91, 115, 130 n., 159
 Mindszenty, Cardinal, 31-32
 Minorities, 65-70, 75-76
- Nagy, Ferenc, 29-30
 National Communism, 37 *et seq.*
 National Peasant Party (Hungary), 14, 28
 National Socialist Party (Czech), 10, 17, 33, 35
 Nationalisation of Industry, 4, 17-18, 124; in Bulgaria, 22; Czechoslovakia 11, 33, 35-37, 119; Hungary, 31; Poland, 24; Yugoslavia, 19
 Nationalisation of Banks (Hungary), 28-29
- Oil, 98, 163, 179
- Peasants, viii, x, 14, 44, 51, 82, 97, 127, 132, 137, 140, 148 *et seq.*, 171
 Peasant Parties, viii (Poland), 17, 24, 27, 45
 People's Democracy defined, 38 *et seq.*
 Petkov, 21, 22, 23
 Pijade, Moše, 55, 78 n.
 Plans, 78-85, 109 *et seq.*, 144, 177-183; in Bulgaria, 100-104, 115; Czechoslovakia, 92-97, 116-121; Hungary, 97-100; Poland, 85-92, 121; Yugoslavia, 53, 104-106
- Polish Government of National Unity, 6, 2; Home Army, 6, 7; People's Army, 6, 7; People's Party (P.S.L.), 24
Polish Facts and Figures, 159 n.
 Polish-Czech Economic Commission, 107
 Population Changes, 175
 Population Surplus, *see* Agricultural Over-Population
 Population Transfers, 65-67, 68, 72
 Potsdam Conference, 15, 65
 Protestant Church, 17, 31
 Productivity of Labour, 84, 90, 92, 94, 95, 122-126, 183
- Rajk, László, 29, 58, 59 *et seq.*
 Rákosi, Mátyás, 14, 42, 45, 46, 59, 60, 140, 156
 Rationing system, 118, 127
 Red Army, 1-2, 7, 8, 16
 Regional Integration, 100, 106-108
- Silesia, 7, 85, 92, 106
 Slovak Rising, 10
 Slovak Democratic Party, 25, 33, 35
 Slovak People's Party, 10
 Slovakia, New factories in, 96
 Smallholders Party (Hungary), 12, 14, 17, 28, 29, 30
 Smith, Howard, *The State of Europe*, 171 n.
 Social Democratic Parties, viii, 4, 16, 17; in Bulgaria, 12, 21, 23; Czechoslovakia, 10, 11, 33; Hungary, 14, 26, 28, 30; Poland, 26-27
Soviet-Yugoslav Dispute, 49 n.
 Soviet Policy, xii, 16, 37, 62, 92, 114, 165-166
 Spender, Stephen, *The God that Failed*, 40 n.
 Stambulisky, ix, 12, 153

INDEX

- Standard of Living, 83-84, 89, 91, 95, 97, 99, 167
- State Ownership of Land, 132, 135, 137
- Steel, 191, 82, 19, 107, 179, 180-181
- Stettin (Szczecin), 85
- Subašić, 5, 15
- Svoboda, General, 35, 37
- Taxation, 118, 121, 151
- Textiles, 113, 118, 180-181
- Thrace, 3 n., 12
- Times, The*, 46 n.
- Timber exports, 166, 167, 168
- Tisza, R., 98, 99
- Tito, Marshal, 19, 47 *et seq.*
- Tobacco, 101, 165
- Tractor production, 82, 91, 104, 180-181
- Trade Unions, 123, 124
- Treason trials, 20, 23, 31, 31 n., 35, 59-61, 101, 115
- Trepča mines, 19
- Trial of Traicho Kostov*, 101 n., 115 n.
- Trial of József Mindszenty*, 32 n.
- Trieste, 47, 74
- U.S.S.R., *see* Soviet policy
- Ukrainian minorities, 67-70
- Voluntary Labour, 125
- Wages, 81, 89, 95, 97, 98, 109-110, 122-126
- Western aid to Yugoslavia, 57, 164
- Works Councils, *see* Trade Unions
- Wroclaw (Breslau), 70, 85
- Warsaw, 2, 7-8, 9, 25, 113
- Yalta, 5, 9, 15
- Zagreb-Belgrade road, 105
- Zápotocký, Antonin, 38, 125 n.
- Železnik works, 106
- Zenica steel works, 19, 105
- Žujović, General, 20, 49 *et seq.*, 61
- Zveno Party, 12, 22

