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Coverage of Smrkovsky Affair

Hungarian communications media have reported on the Smrkovsky affair in a rather extensive and outspoken manner. The Hungarian public has not only been kept informed regarding the issue itself, but has also been placed in a position to assess the main points and impact of the questions involved. In informing their listeners and readers, the Hungarian communications media have been relying heavily on official Czechoslovak sources, adding very little original comment of their own.

In a foreign affairs review on 6 January 1969 summarizing recent events, Radio Budapest commentator Nora Somogyi emphasized the appeal by the Presidium of the Czechoslovak Communist Party, which stated that in the last few weeks the consolidation process had come to a halt and the threat of a tense political conflict had developed. In this connection Somogyi praised the last November Plenum, but found that the opportunities offered by the November resolution had remained unexploited. The situation in Czechoslovakia had developed again in a way similar to the situation after the May Plenum. Somogyi approved the fact that the Party Presidium had called attention to the dangers inherent in a repetition of the course followed in May. After explaining the details of the issue involving Smrkovsky, the commentary interpreted the appeal of the Presidium as a warning against the dangers of a possible internal conflict at a time when the country needs tranquillity, creative work and practical deeds to resolve its existing problems.

In the evening of the same day, Radio Budapest's Prague correspondent, Gyorgy Halasi, described the situation more optimistically, stating that the appeal of the Presidium had a strongly pacific effect. Halasi also mentioned the unfounded rumors that Soviet units would occupy some workshops, central offices and editorial offices.

In its January 7 issue Magyar Nemzet devoted a long article to the Czechoslovak situation which was written by Tibor Varkonyi, a member of the paper's staff, who has been in Prague for some time. The gist of his observations was that on the evidence of outward features life has been "normalized" in Czechoslovakia, but that this is not enough -- there is a need for "consolidation." (The full text of his article is available in Hungarian Press Survey No. 1972, Radio Free Europe Research, published on 9 January 1969).

Hilton Hotel to be Built in Budapest

The first Hilton Hotel in a "socialist" country will be built in Budapest and is expected to be open for business by the end of 1971. This will be the second Budapest hotel to be built with Western capital. The construction of another great hotel sponsored by Pan-American International has been under way since July 1967 and is to be completed by October 1969. Magyar Hirlap, which reported on the building of the Hilton on January 4, also disclosed that other Pan-American International hotels will be built in Prague and Bucharest. Moscow also plans the building of such a hotel.

The site of the new Hilton Hotel in Budapest has already been selected. It will be located in the old castle area of Buda, with one of the most panoramic outlooks in the capital.

Nothing has been disclosed by Magyar Hirlap about the financial background of the project; it is merely said that the Hilton organization will provide guests for the hotel.

Hungarian hotel managers, according to the paper, have expressed fears that the two new hotels may divert guests from the older hotels in Budapest. Magyar Hirlap, however, attempts to counter such fears by stating that the new hotels will provide their own circle of guests by increasing Western tourism in Hungary.

Suicide of Gyorgy Peter

An official communiqué issued on January 6 disclosed that Gyorgy Peter, president of the Central Statistical Office, committed suicide on January 4. It appears from the communiqué that he was involved in an offense against foreign exchange regulations. The investigation of the case had been going on for some time and Peter had been suspended from his office on December 4, but left free. He had later to undergo medical treatment and committed suicide in the hospital.

Gyorgy Peter has held leading positions since 1947 and his career was not interrupted even by the events of 1956. Since May 1954 he has been president of the Central Statistical Office and at one time had a chair at the Budapest University of Economic Science. In March 1962 his rank was upgraded and he was authorized to attend the meetings of the Council of Ministers. Together with

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a few other high state officials, he received the rank of secretary of state in February 1968, a position which is one step less than minister.

In offenses against foreign exchange regulations, the police proceed with the utmost vigor, and the publicity given to the case is certainly meant to warn people that even the highest state officers are not exempt -- not even if they are Communist veterans. During the Horthy era, Peter served in the underground movement, and he spent 10 years in prison. His underground activities helped him to reach the corridors of power during the Rakosi regime.

Shell Gasoline Stations to be Built

Ten new gas stations with connected service points will be constructed in Hungary in collaboration with the Shell Company. The gas stations will not only sell gas and oil but will also stock Semperit tires and various Western car parts.

An interesting feature of the new enterprise is that it will be possible to pay in forint, in contrast to past practice in the case of the only Shell station hitherto in operation.

Tourists from abroad can make purchases against foreign currency (on a one-dollar-equal-to-30-forint basis). It is planned that a coupon system will be introduced so that foreigners will be able to purchase in advance coupons valid for Shell stations in travel bureaus and auto clubs abroad.

Three of the ten stations will be set up in Budapest, the others being located in Szeged, Miskolc, Pecs, Debrecen, and two on the shores of Lake Balaton. Construction work has started.

The Hungarian organization "Interag Export-Import Representatives Ltd." together with the National Handicraft Federation is setting up a joint firm for the enterprise. This firm will market Shell products in accordance with the terms of an agreement. The new firm anticipates building a modern tower garage in Budapest, in the vicinity of the Danube Intercontinental Hotel, which is under construction and which will have a Shell station. (MTI in English, January 8).

TU Organization Vetoes Management Decision on Production Norms

The 7 January 1969 issue of Nepszava, the trade union daily, reports on a case which eloquently demonstrates how efficiently the interests of the workers can be protected against a restive management by the exercise of the right of veto, provided that the trade union organization concerned is sufficiently skillful and resolute to marshal its arguments in a persuasive way and to adhere to its decision even in face of strong opposition

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from the management. Nepszava's report (by Laszlo Taray) deserves particular attention, because it supplies the fullest account so far available of the details of a tenacious "tug-of-war" between management and trade unions, and also because the case occurred in one of Hungary's largest factories, the Gyor Vehicle Works, which employs some 15,000 people and is run by a general manager known throughout the country for his expertise and energy.

Moreover, management and trade unions clashed over an extremely sensitive issue -- the stepping-up of production norms -- which is known to entail more work and, at least in the initial phase, a certain decrease in earnings for the workers involved. The measure affected one of the key shops of the factory, the railroad truck assembly unit, where, in October 1968, the labor department of the enterprise drew up a plan for the increase of production norms to become effective on 1 January 1969.

It should be borne in mind that, under the Labor Code of 1967 (cf. Law No. II of 1967, passed by the Hungarian parliament in September 1967 -- cf. Hungarian Situation Report, Radio Free Europe Research, 9 October 1967), the change of production norms is the prerogative of the enterprise management, but the details of the change have to be laid down in the collective agreement, which should also dictate norms for the cooperation of management with the competent trade union organs in question. (Cf. para. 63 of the Labor Code, points 2 and 3.) The change of the production norms may become necessary and justified because of technical or organizational changes in the shop which create new conditions of work. For example, if a more efficient machine goes into operation, the norms ought to be adjusted accordingly. This is the so-called "technical overhaul of the production norms" which may become inevitable from time to time. It is to be handled in a flexible manner, with the plant requirements in view. If production norms become too "loose," the workers to whom they apply may earn higher salaries with less effort than fellow-workers whose activity is governed by technically up-to-date production norms. This is apt to create wage tensions among the workers, thereby troubling the atmosphere of work of the shop. Finally, inadequate production norms are certainly not an incentive to efficient work.

Such were the conditions in the railroad truck assembly unit at the Gyor Works which prompted the aforesaid plan of "overhauling" production norms there. The management submitted its plan to the Trade Union Committee of the factory at the beginning of November 1968. The trade union officials had no objection to the increase in the production norms per se, since they found the measure justified in the light of the conditions of the shop concerned. At the same time, however, they raised serious objections against the way in which the production norm increase was to be implemented. They thought the change too big because it would have decreased by 400-700 forint the monthly wage of the workers concerned from one month to the next -- that is, very abruptly. Consequently, the Trade Union Committee requested the labor department of the works to draw up a more equitable proposal.

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At this point the managers did something which is quite inadmissible, both in the spirit of NEM and the Labor Code, which itself is known to be one of the specific products of the New Economic Model. They acknowledged receipt of the views of the Trade Union Committee, but decided to pay no heed to it. On the contrary, the management took steps to prepare the implementation of its original plan. This was, of course, a blatant violation of the new, more extensive rights of the trade unions which they received under NEM through the Labor Code to protect the justified interests of the working class.

It is useful to recall here that in the years which preceded the introduction of the NEM on 1 January 1968, there was widespread apprehension among the workers that the greater independence granted to the managers, and their increased interest in working more and more efficiently and profitably, would eventually place the workers in an inferior position, so that economic results might be achieved at their expense. It was pointed out in an effort to dissipate such fears that the extension of the trade unions' prerogatives would supply a valid safeguard against any sacrifice of their rightful interests. The secretary-general of the National Trade Union Council, Sandor Gaspar, repeatedly stressed that economic interests may be fostered only by means which are in harmony with the nature of Hungary's "socialist" system. He said in this context that the trade unions' right of veto will provide the most efficient means of safeguarding such harmony (cf., Nep-szabadsag, 22 May 1968).

After such precedents, it should not be surprising that the Trade Union Committee of the Gyor Works responded to the management's flagrant disregard of its suggestions by resorting to its right of veto. Both the management and the leadership of the Metal Workers' Union were then promptly notified of the application of this measure. In early December 1968 the representatives of the management and trade union of the Gyor Works on the one hand, and those of the Metal Workers Trade Union and the Ministry of Metallurgy and Machine Industry on the other, held a conference to settle the issue. Instead of reaching a mutually acceptable compromise on the original proposals, the partners agreed that the management would draw up a new plan on the basis of recommendations from the Trade Union Committee. The latter were formulated on the assumption that the "overhaul" of production norms would help toward a more justified and balanced relationship between salaries, and thus called for the workers involved to receive a fair supplement to their earnings, side by side with the introduction of more demanding production norms. Accordingly, the Trade Union Committee suggested a six-per cent wage supplement for the first month of the new norms, a five-per cent supplement for the second, and a three-per cent supplement for the third. A sudden drop in salaries would then be averted and at the same time the workers would also be given a period of grace in which to get accustomed to the new production norms.

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The management responded to the recommendations of the Trade Union Committee by submitting two alternative solutions -- one envisaging the stepping up of working norms by 28.5 per cent, and the other based on a 16-per cent increase. The management's reply to the Trade Union Committee's suggestion that the workers be given a wage supplement was rather vague. Instead of laying down the actual rate of supplement from month to month, the enterprise proposal suggested that "in case of necessity" a decreasing wage supplement should be given for the first three months of working to the new production norms. Once again the Trade Union Committee refused to see eye to eye with the management. In the first place, they could get no satisfactory practical interpretation of the phrase "case of necessity"; and in the second place, the Trade Union Committee could not accept the management's proposal that if only a 16-per cent increase of production norms was agreed, the management might reserve to itself the right to review the norms three months after their introduction. In a word, management and trade unions again failed to reach a satisfactory agreement.

The next and final round of the "tug-of-war" took place at the headquarters of the Metal Workers' Trade Union and was attended by representatives of the Metal Workers' Trade Union and the Ministry of Metallurgy and Machinery, in addition to the general manager and trade union secretary of the Gyor Works. Here the Gyor union won a shining victory. On the basis of all available evidence, both the representatives of the Metal Workers' Trade Union and the Ministry endorsed the position of the enterprise trade union that only a 16-per cent increase in production norms could be considered "realistic." Moreover, the enterprise Trade Union Committee's suggestion regarding the phasing out of wage supplements for the first three months in which the new production norms were in operation, was accepted in full. Finally, the management dropped its plan to revise production norms after the first three months. The general manager of the Gyor Works is said to have given his consent to all this. Nepszava of 7 January 1969 concludes that the negotiating partners eventually reached accord on an issue which concerns the workers "most directly." They uttered the final, decisive word on the question. Thanks to the right of veto, a confrontation between workers and their leaders could find the "justest possible" ending.

The case reported by Nepszava is the most important instance so far of the application of the trade unions' right of veto. (For earlier cases, cf. Hungarian SR/48, RFER, 12 July 1968.) The event calls for a few comments. It is not clear from Nepszava's account exactly on what legal basis the Gyor Works Union Committee achieved its striking victory over the management. According to the Guidelines of the National Trade Union Council which deal with the implementation of the right of veto established by the Labor Code (cf. the monthly journal Munka, July 1968), a veto can be exercised on three main grounds: if the management's decision violates the law, or breaches a collective agreement reached with the competent trade union organs, or breaks the rules of socialist morals and treatment, thereby damaging the interests of the workers. The

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first of these grounds can be ignored: it does not apply in the present case. It can, however, be argued that the decision of the Gyor Works management ran counter to a provision laid down in the collective agreement concluded with the enterprise trade union committee. On top of that, there is no doubt whatever that the management's original plan, had it been put into practice, would have resulted in such a substantial and sudden drop in the earnings of the workers concerned as to constitute a major violation of the rule regarding "socialist morals and treatment."

In view of the size of the Trade Union Committee's victory over the management, it may be that managers, anxious to make full use of their prerogatives under the NEM, will start wondering whether the Trade Union Committee of the Gyor Works has not interpreted too widely its right of veto. On the other hand, the endorsement of the Trade Union Committee's position, both by the superior trade union organs (the center of the workers' trade union), and by the Ministry of Metallurgy and Machinery (the supervising organ of the Gyor Vehicle Works), seems to indicate that the Trade Union Committee was on firm legal grounds in pushing its point to ultimate victory. The use of the right of veto is at present so novel an idea that whoever resorts to it is stepping on relatively untrodden ground. It is therefore quite possible that there will be disputes in regime communications media about the limits of the trade unions' right of veto. From this viewpoint, the case reported by Nepszava is extremely thought-provoking.

The Guidelines of the Trade Union Council to the trade unions (mentioned above) emphasize that the right of veto should be considered as a measure to be applied only after all other means of reaching an understanding have been exploited. It is a case of ultima ratio. Whenever possible, the Guidelines point out, agreement should be reached about any controversial issue within the framework of the enterprise. Only if this fails should the issue be submitted to authorities outside the enterprise concerned. In the present case, the Trade Union Committee of the Gyor Vehicle Works appears to have displayed considerable resolution and courage in bringing the question before the highest external bodies. This too is likely to be "thought-provoking." Finally, the Guidelines emphasize that efforts should be made to settle controversies about management decisions which are open to objection by relying in the first place on "traditional devices and political persuasion." Only if these fail to produce the desired result, should the trade unions resort to the right of veto. The instrument of "political persuasion" within the enterprise should, above all, be the local Party organization. In the opinion of the makers of the NEM, the Party should function as an arbiter and strike a balance among the three sets of interests: national, local (or communal), and individual. One has the impression that, although the NEM came into existence on the initiative of the Party leadership, and its implementation is being relentlessly carried out by the Party organs at various levels, the enterprise organizations of the Party are still groping for their proper place in the actual translation of the NEM into everyday practice.

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The realization of this goal is still in the distant future, and in my estimation 10 to 15 years will be needed to carry it into effect. Such a considerable change in consumer prices is not only a price policy question but is also inseparably connected with the implementation of such measures as, for example, the adjustment of pensions and a considerable increase of per capita average earnings.

Thus, the changes of prices which will be carried out gradually during 1969 are confined to a relatively narrow band, but they mean a further step on the road to the implementation of a modern price policy. The statements quoted above list only a few commodities whose prices will be changed; only the enacting order of the Office of Price Determination will contain a detailed price list.

The available information, however, shows that the prices of the following important articles will be changed during the year:

There will be a 20-per cent increase in the price of pine sawn timber. (This implies a change in the official price and will have a strong indirect effect on the population -- especially on people who want to build.) The Price Office statement says that, as a result of this measure -- and of an increase in the prices of building materials not mentioned in the statement -- the costs of private building will increase by four to five per cent. This is of great significance, because two-thirds of the building of apartments (more than 40,000 flats annually) is carried out by private persons, partly with the help of credits, partly without. Thus this measure could be open to sharp criticism, since it does not encourage private construction.

The price of domestic briquettes will be reduced by 20 per cent and the price of fuel oil by 30 per cent. The prices of firewood and poultry will also be reduced. (The latter applies only to poultry sold in state stores, but some poultry is being sold on the free market anyway.)

There will be a 15 per cent change of prices (upward and downward) for some types of clothing (various cloths, knitwear, and miscellaneous articles of clothing).

The range of prices of the catering trade will also increase as the result of the reduction of state subsidies. According to an interesting remark in Csikos's statement, the range of free-price articles will increase from the present 23 per cent to 30-33 per cent. Most imported consumer goods are among the free-price articles.

On the basis of the Office of Price Determination's statement, it can be seen that the price policy measures introduced on 1 January 1969 are closely connected with the change of the turnover tax system, details of which are not given in the statement. In this connection the statement only said that "this year, the rate of the turnover tax will be reduced about one half."

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Though, according to the information of the Office of Price Determination, only a global "one to two per cent increase of the retail price level is planned," this year the flexible price policy and the gradual changes of prices during the year will constantly concern the public, which is more sensitive to increases than to reductions. Besides this, even the approximate list given by the Office of Price Determination indicates that the global scale of overall price increases which influence the standard of living will be higher than one or two per cent. This is because many of the producer price increases have a direct effect on the standard of living; a good example is the rise in the price of building materials, which are not listed among consumer goods.