

EAST -- HUNGARY AND COMECON: A RELATIONSHIP IN NEED OF NEW INSPIRATION

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Magyar Nemzet, the daily paper of the Hungarian Patriotic People's Front, has recently published several articles on the need for Comecon as a whole to draw the necessary conclusions from the "epic changes" of the 1970s and to create a realistic and unified price system. The latest of these articles (1) parabolically expresses the Hungarian hope that its partners will, after all, follow its example and create an internal economic mechanism, a system of interests which, in the long run, would exclude all but the really viable contacts between firms and between countries.

The recent revisions to the New Economic Mechanism (NEM) were launched with the promise of removing the old system of price subsidies which featherbedded unproductive enterprises. The Hungarians seem to have been making a sincere effort to bring production costs and prices closer together. This is as necessary as it is inevitable. As the East European economic expert of the Neue Zuercher Zeitung put it, "the policy of stable consumer prices could only have been maintained at the cost of immense financial sacrifices." (2) And for these there was no margin left in a country conspicuously short of natural resources and highly dependent on foreign trade.

Some inflexibilities of the "old" (i.e., pre-NEM) price theory were built into the system, when the NEM was introduced in 1968, but these inflexibilities have been accentuated by Hungary's exposure to the cyclical fluctuations of the world economy and the impact of worldwide recession in the 1970s. It has also become clear that Hungary cannot "go it alone" as the success of its reforms is largely contingent upon the willingness of its partners to follow its lead.

The specialized journals have always taken the initiative, and throughout the 1970s articles have appeared which argue for a thorough examination of outdated concepts. This debate appears to have picked up momentum recently and in the January issue of Penzugyi Szemle (Financial Review) an article appeared criticizing those who "consider economic cooperation among socialist countries as a phenomenon apart, independent of the processes going on in other parts of the world." (3) This viewpoint has been recently repeated in the popular press. Magyar Nemzet, for example, echoed it when it charged with "voluntaristic tendencies" those who believed that Comecon would somehow be able to neutralize all the consequences of Western recession through existing procedures. "It is inconceivable, even theoretically, that a crisis should not, one way or another, affect socialist societies as well," the paper wrote, adding:

It took several years before Hungarian society realized and accepted that the dogmatic theory of two world markets is untenable, that socialist production cannot be directly and arbitrarily set against the tendencies and interests of the world market, dominated by monopolistic capital. (4)

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(1) Tamas L. Puskas, "Change of Pace."

(2) 17 July 1980.

(3) Laszlo Csaba, "The Role of CMEA's Products and Money Relations in the New Phase of World Economic Development."

(4) Istvan Hermann, "Ideas and Perspectives."

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The drift of the argument is clear: a convincing explanation has to be found for the economic hardships experienced by an increasingly critical public, and if the same explanation can be used as a lever in dealing with Comecon partners, so much the better.

Other comments were no less explicit: "Neither the national, nor the international economic mechanism reacted commensurately to the epic changes of the 1970s." (5) The same critic advocated the establishment of a socialist market based upon a realistic and unified price system, since "the individual price systems of the various CMEA countries . . . make the international comparison of prices difficult, if not impossible. . . ."

The cue for urging economic reforms in the Comecon partner states was given by the periodical Kozgazdasagi Szemle (Economic Review). In its April number it published an article by a member of the World Economic Research Institute of the Hungarian Academy of Sciences, who justified the necessity of changes among other things by "the mutual interests of the individual CMEA countries arising from the economic relations between East and West." (6) The Deputy Director of the same institute, Academician Mihaly Simai, argued in a similar vein when he told the Hungarian news agency MTI that

The new phase of world economic development requires flexible and circumspect behavior, capable of fast reaction to changes by the socialist countries. To achieve this is not an easy task and it is hardly something that can be attained in an isolated manner, in just one socialist country. (7)

Concrete proposals made by various authors included the creation of a convertible currency and the promotion of so-called "microlevel" contacts between firms and enterprises of the Comecon member states.

Calls for reforms to Comecon trading procedures have come to be an almost everyday occurrence in the Hungarian media, so they cannot be regarded as individual initiatives. It is more likely that they are manifestations of current official thinking. Since adherents of economic reforms seem to be firmly in the saddle in Hungary, it is apparent that these calls are directed largely at the other Comecon countries. It remains, however, to be seen whether a further deterioration in the world economic situation combined with home-brewed difficulties will make the Hungarian arguments seem compelling enough for its Comecon partners to act upon them.

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(5) Ibid.

(6) Laszlo Csaba, "East-West Cooperation and the Economic Mechanism,"

(7) MTI, 4 August 1980.