

Csergoe's Speech at Diosgyoer

According to the 19.00 home service broadcast on 22nd May, a mass meeting of Diosgyoer workers had taken place that day. The meeting had been attended by workers from the Lenin Metallurgical Works, DINAVAG, the Light Engineering Works, and the Heavy Machine Tool Works. The speaker was Janos Csergoe, Minister of Metallurgy and Engineering, who is a Deputy for County Borsod. Speaking of the National Assembly's recent session, Csergoe said that Deputies had praised the work and efforts of the Revolutionary Worker-Peasant Government in the interests of the Hungarian people. The Assembly had also praised the Party's successful work of organisation and political enlightenment.

"Lean Times have Arrived"

After a "detailed analysis of the counter-revolutionary events" and an account of the recent Hungarian-Soviet negotiations in Moscow, Csergoe turned to

economic problems. It depended on the workers, including those of Diosgyoer, whether or not the metallurgical and engineering industry fulfilled its tasks, he said, adding: "In the Lenin Metallurgical Works, wages paid exceeded the total value of production by 13,000,000 forints in November and by 5,000,000 forints in December." Lean times were bound to follow such extravagance and "the lean times have arrived".

In the first quarter of 1957, production in the metallurgical and machine industry had been about 26 per cent below that of the third quarter of 1956; but wages paid had exceeded those paid in the third quarter of last year by some 7.4 per cent. The metallurgical and engineering industry's foremost task now was to cut costs and raise productivity. The strictest economy must be enforced in every respect.

The 1957 Investment Plan

In a further article on the 1957 Plan (Summary Part IIB, No.830, p.9) 'Nepszabadsag' examined this year's investment proposals. Investments in 1957 would have to be kept to the minimum. The most essential tasks were to build as many homes as possible, to secure the power supplies necessary to keep the country going and to repair the damage caused by the counter-revolution. Investment funds set aside for the latter purpose would be enough to heal the capital's wounds, except for buildings completely destroyed, and of a few big buildings like the Royal Hotel and 'Divatosarnok' department store. This year's investments would make no changes in the structure of the Hungarian people's economy. The outlines of such changes, which were necessary, would be seen only in the Three-Year Plan, which would shortly be completed.

Investment Projects

On the basis of the information received from the National Planning Office, the paper said that this year's investments included plans to build 21,120 new dwellings and to start work on a further 13,000; to repair homes and shops damaged during the counter-revolution, to develop the manufacture and processing of synthetic fibres, to complete the new generator unit in Tiszapalkonya - which would produce almost enough power to meet the whole of the country's household electricity needs - and to connect a further 70,000 village consumers to the grid. Other projects this year would include the completion of the Budapest television transmitter; a start with the electrification of the Hatvan-Miskolc railway line; the provision of 303 class-rooms in general schools; the completion of the new railway stations in Győr and Szekesfehervar; the building of a briquette factory of Hidas, with an annual output of 90,000 "brick-briquettes"; and the completion of the Dunapentele combine's chemical division, which would make 27,000 tons of tar products, including benzene, naphthalene, etc.

Out of the eight milliard 200,000,000 forints set aside for investments, 26.8 per cent would be spent on housing; 400,000,000 forints would be spent on repairing the damage caused by the counter-revolution. Of the total figure, 57.3 per cent of investments would be productive and 42.7 per cent non-productive, as against last year's figures of 75 and 25 per cent. (MTI and Hungarian information service 23.5.57)

Low Investment Figure "Not without Inconvenience"

Another version of the article, quoted by MTI (23.5.57), said that the eight milliard 200,000,000 forints of investments to be made this year represented 9.3 per cent of the national income. Last year's original plan set aside 13.3 per cent of the national income for investments. Other countries with planned economies invested 15-20 per cent of their national incomes. "Thus," the paper said, "our plan for the current year will not be without inconvenience for the ultimate development of the national economy." Out of the total investment fund seven milliard 520,000,000 forints would be invested by the State. The balance would be lent to the co-operatives and the population. The Government expected private citizens to build some 20,000 dwellings this year. The necessary building materials would be made available to them.

The 1957 plan was built on three guiding principles. The first was to guarantee a basis for power supplies. For this reason over 740,000,000 forints had been set aside for the mining industry and an equal sum for the power generating industry. The second guiding principle was to build the greatest possible number of homes, for which purpose 26.8 per cent of the investment fund had been allocated. The third was that all the damage done by the counter-revolution must be repaired.

Other Investment Details: Health: Budapest City

According to one of the Deputy Ministers of Health, reported 'Nepakarat', 12 per cent more would be spent on the development of the health services this year than last, and 80,000,000 forints would be allocated for the repair of public health institutions. (Budapest 09.00 and Hungarian information service 23.5.57)

According to 'Esti Hirlap' and 'Nepakarat', quoted by the broadcast for Hungarians in the West (23.5.57) and the information service (24.5.57), the Budapest City Council would spend one milliard 800,000,000 forints on investments and renovations this year. The Council would spend 110,000,000 forints on transport development and 453,000,000 on housing. Some 17,000,000 forints would be spent on public health investments, 20,000,000 to repair and extend school buildings and 727,000,000 to overhaul dwellings and repair damaged apartments. The neon installations enterprise would be enlarged.

Goods Supply and Purchasing Power

The information service (20.5.57) quoted an article by Ivan Foeldes in 'Nepszabadsag' on purchasing power, stocks and living standards. In the clothing trade, Foeldes said, turnover in the first quarter had been 32.4 per cent higher than in the first quarter of 1956. In April it had been 57.1 per cent higher. In respect of other industrial products the turnover in the first quarter had been 14.6 per cent higher, and in April 33.9 per cent higher.

Summarising this data, the trade turnover of the first quarter had been 11.7 per cent and in April 24.7 per cent higher than the 1956 figure, while stocks in trade was only 77.2 per cent of the amount held during the same period of last year. Taking into account that in the first quarter the light industry had produced only 88.2 per cent, and the food industry only 87.7 per cent of their output in the same period of 1956, it would be understood that things could not go on as they had. Purchasing power was up on last year by 8,500,000,000 forints, or 13.8 per cent. To cover the extra purchasing power trade stocks on 53,000,000,000 would be required. Home production and imports can provide only 50,200,000,000 forints. There was therefore a deficit of 2,800,000,000 forints in stocks. This was not a large figure but speculation could make it dangerous.

Effects of Price Increase Order

The Party and Government had tried to find a solution which would redress the balance between purchasing power and available stocks without affecting the broad masses and without appreciably reducing the living standards of the workers. They had been largely successful in this endeavour: the price increases decreed by the Government had not affected either the most important consumer goods or rents and charges for public services, and still left real wages 15 per cent higher than last year. But these measures were only stop-gaps. Only when the problem of higher production had been solved and economy stabilised could there be progress towards higher living standards.

Wages and Profits

Need to Raise Productivity: A 'Nepakarat' article quoted on the home service at 09.00 on 18th May pointed out that while wages and purchasing power had risen since last year, the quantity of goods produced had fallen. The paramount task in the present economic situation was to accumulate stocks and to raise the output of consumer goods as rapidly as possible to the point where it was adequate to meet the higher demand.

Factories must be prevented from paying out wages not justified by the value of their production and ways must be found to eliminate concealed unemployment (kapun beluelli munkanelkuelliseg). It was possible to produce adequate quantities of goods at the present wage level but productivity must be raised to at least the level reached last year when wages had been much worse. The all-important thing was productivity.

Profit-sharing Directives: The Ministry of Finance has issued directives on the distribution of profits in factories. These say that factories which have made more profit in the first three months of this year than in the first three months of 1956 may retain the difference. If the factory worked at a loss last year and managed to reduce the loss this year, the difference can again be kept. Part of the funds thus retained may be distributed among the workers. The remainder must be used to develop the factory. The amount which may be distributed will depend on the proportion of costs accounted for by the wage fund. Workers may be paid a profit share equivalent to one month's wages, provided their work has been satisfactory. (Budapest 11.00, 23.5.57)

Wage Settlement for Railwaymen: Istvan Kossa, Minister of Posts and Communications, has told a railwaymen's meeting at Miskolc that railwaymen whose wages have not yet been raised will receive an 18 per cent wage rise as from 1st July. This would add 205,000,000 forints to the annual wage bill. (Budapest 03.30, 21.5.57)

International Economic Relations

Trade with Britain: Foreign Trade Minister Jenos Ince, in a further statement on the foreign trade situation (see Summary Part IIB, No.829, p.8) noted that Hungary's exports to Britain in 1956 had been 33 per cent higher than in 1955, and her imports on the same level as the previous year, and this in spite of the complete rupture of trade relations in the last two months of the year. As Hungary was in a position to supply Britain with many commodities which she habitually imported in large quantities, and as Hungary was in need of many raw materials and finished goods produced in Britain and the Commonwealth, Hungarian foreign trade enterprises were ready to study any competitive offers from British businessmen. At the same time Hungary deplored the attitude of the Export Credit Guarantee Department which, by suspending its activities with regard to exports from Britain, had restricted Hungary's purchasing intentions; that attitude was the more regrettable in that the Hungarian foreign trade enterprises had met all their obligations. The rapid increase in the country's exports and the industrial and agricultural expansion since the October events had shown that Hungary's foreign trade was founded on a sound and firm basis. (Budapest in English 20.00, 21.5.57)

Changes in Rouble-Forint Exchange Rate: Under a clearing agreement between the Hungarian National Bank and the Soviet State Bank, the rouble-forint exchange rate applicable to transfers of cash by private persons has been fixed at 140 forints for 100 roubles as from 15th May. This exchange rate applies to payments of a non-commercial character, such as official or private travel. The exchange rate hitherto was 296 forints for 100 roubles. The agreement does not, however, apply to railway fares, which are fixed by international agreement. Negotiations for a similar arrangement with other friendly countries are in progress - reports 'Hepakarat'. (Budapest 09.00, 21.5.57)