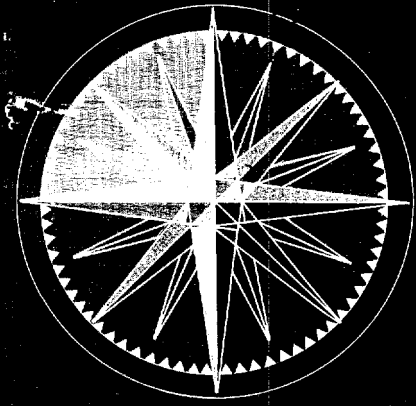


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SPECIAL REPORT

HUNGARY CELEBRATES "A DECADE OF PROGRESS"

CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE

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HUNGARY CELEBRATES "A DECADE OF PROGRESS"

The Hungarian Socialist Workers' (Communist) Party, at its ninth congress beginning on 28 November, will celebrate a "decade of progress" since Soviet troops restored Communist control in 1956. In fact the Hungarian party--the only one to be overthrown in Eastern Europe since World War II--has made a noteworthy recovery. First secretary Janos Kadar has gained for it a measure of public acceptance, established his own image as a moderate leader, and--in the process--consolidated his personal power. Persistent problems in industry and agriculture, however, obliged Hungary recently to adopt a long-range economic reform program. The debate over this program led the party into a continuing introspective review of its policies, its changing role in society, and its ability to adapt to modern political trends. These are the key issues which will be discussed at the forthcoming congress.

Background

After the "counterrevolutionaries" were crushed in 1956, Kadar closely aligned himself and his associates with the policies and leadership of Khrushchev. He launched a "humanization" program designed to make socialism more tolerable, and initially permitted departures from Communist economic doctrine in an effort to raise the standard of living. The Hungarians today are scarcely affluent, but they are much better off than they were ten years ago.

The only major exception to Kadar's moderate approach has been the recollectivization of agriculture, which was decreed at the seventh party congress in late 1959. Two years later Hungarian agriculture was almost completely collectivized, but the

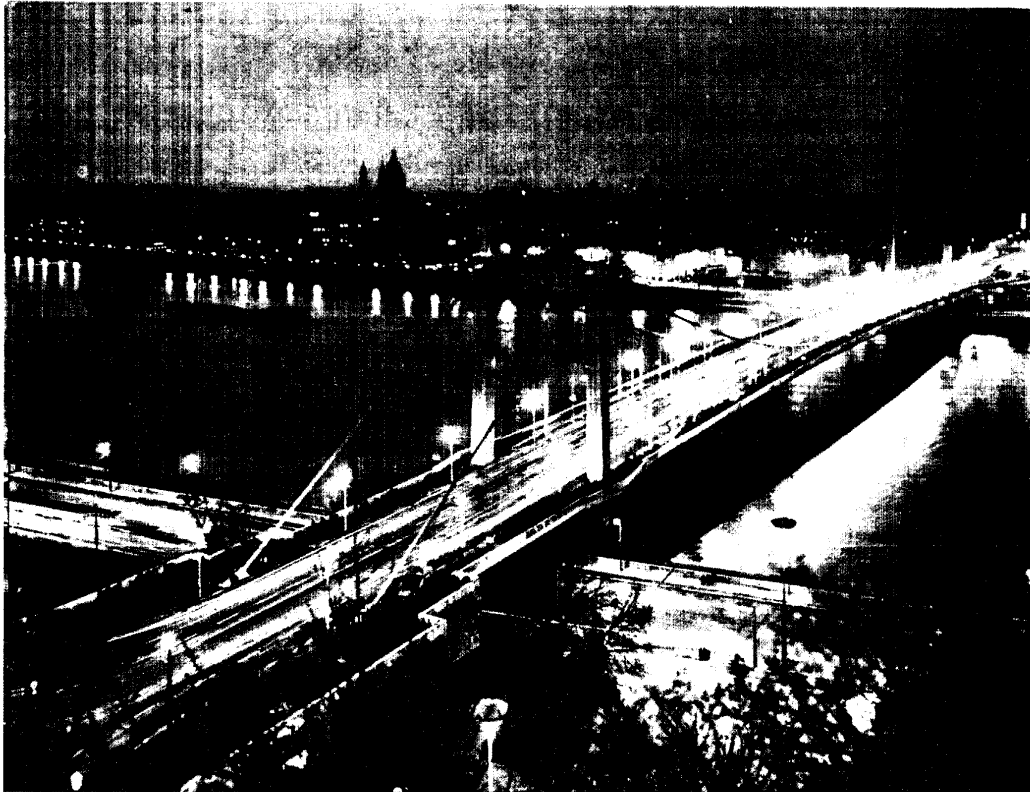
farmers have to some degree been conciliated by offers of material incentives and permission to continue cultivating private household plots.

By September 1961, however, Kadar was back on a moderate course. He consolidated his power through an extensive governmental reorganization accompanied by a well-publicized purge of Stalinists. In December 1961, he declared that "he who is not against us, is with us" and followed that statement with the introduction of a number of liberal policies. The regime abolished class criteria for university enrollment, loosened restrictions on travel, limited the power of the secret police, released a large number of political prisoners, and introduced additional incentives to encourage higher industrial and agricultural production. Urging a revitalization

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A REGIME SHOWPIECE



THE ELIZABETH BRIDGE IN BUDAPEST, REBUILT BY THE HUNGARIAN GOVERNMENT, SERVES AS A SYMBOL OF HUNGARY'S "DECADE OF PROGRESS" SINCE COMMUNIST CONTROL WAS RESTORED AFTER THE REVOLUTION.

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of the party as well, Kadar announced that a non-Communist could, on the basis of ability, occupy any position except a post in the party itself.

The eighth congress, in November 1962, endorsed all major points of the policy of national reconciliation through liberalization, and reaffirmed party support for Kadar's "middle-of-the-road" socialism. The ninth congress will review those policies and recommend adjustments in the light of new trends.

With a pragmatic rather than doctrinaire approach to the solution of Hungary's particular problems, the regime gradually has achieved a measure of acceptance from an apathetic population.

This was illustrated by the order which prevailed between 23 October and 4 November this year--the tenth anniversary of the revolt. The regime had approved special bus and streetcar schedules on routes near public cemeteries in Budapest, and many people visited graves during the period. There was no other noticeable public reaction, however, even though the continued presence of Soviet troops on Hungarian soil serves as a constant reminder of the 1956 intervention.

Culture and Religion

Since 1961 a considerable degree of cultural freedom has been allowed; outspoken writers and other intellectuals are seldom penalized for the public expres-

sion of their views. The regime relies primarily on economic controls to limit liberal "excesses." The intelligentsia, content with the liberal trend of Kadar's policies, is patiently awaiting a "more freely effective public opinion" to develop.

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Although Kadar reduced pressure on the Catholic Church immediately after the revolt, the liberal trend has not extended to church-state relations. In 1964 the regime signed an agreement with the Vatican which authorized the appointment of new bishops. However, the regime has obstructed implementation of the agreement, and probably will continue to do so. A major irritant in church-state relations is still Cardinal Mindszenty who, despite repeated attempts to negotiate a settlement, remains "the guest upstairs" in the US Legation in Budapest.

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SECRETElectoral Reform Bill

A new electoral reform bill, adopted at a special session of the National Assembly earlier this month, is the latest gesture toward liberalization made by the Kadar regime. Designed to inject "socialist democratism" into parliamentary elections, the bill would break down the county lists into small constituencies in which the voters would be likely to know the candidates. Parliamentary delegates will hereafter be nominated by specific administrative districts and will be subject to recall if they do not perform adequately. The reform, which stipulates that a number of candidates may stand for a given seat, will not basically weaken the party's control, since all delegates must "represent the program of the Patriotic People's Front, without exception, as well as the policy of socialism...."

Preparation for Congress

Also indicative of Kadar's efforts to liberalize and broaden participation in party and governmental affairs are the preparations for the congress, which have been under way since May. In a departure from traditional procedure, nominating committees, after consultation with party members, drew up lists of candidates for local offices and for delegates to the party congress. The nominees were then approved at meetings of local party members in September and October. Formerly, these candidates and

delegates had been selected by the executive committees of the local party organizations.

Economic Problems and Reform

Serious economic problems have obliged the regime to initiate an economic reform program (ERP), and the congress will concentrate on the various provisions of the program as well as the "leading role of the party" in implementing them.

The ERP was approved by the central committee last May, and is marked by the cautiousness characteristic of the Kadar regime. The ERP was made necessary by stagnation in the rate of economic growth. This was in part the result of excessive attention to detail in planning and of unimaginative concentration on meeting quantitative goals.

For a number of years after the revolt the regime, for political reasons, managed a rise in the standard of living at a rate the economy could no longer maintain. Retrenchment began two years ago with a new labor code which increased work norms, tightened work rules, and caused some reallocation of workers. Last year the regime mishandled a series of increases in prices and payroll deductions for pensions. First it denied that price increases would take place. Then, it introduced them late in December without publishing specific details.

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These moves, although justified by the economic situation, caused much grumbling and apprehension among the people. There are rumors that additional adjustments are necessary, and as recently as October 1966 the regime felt it necessary to reassure the public by stating that "decreases in the standard of living will not be permitted."

The ERP is in its formative stages. The reform calls for more autonomy in enterprises to facilitate an improvement in both economic management and production. Nevertheless, it appears that centralized direction of the economy will continue to be stressed in the next few years with only a limited role for the operation of market forces.

Eleven commissions have suggested reforms in economic problem areas and these recommendations have been debated extensively. Some proposals have been introduced experimentally in selected industries, and these trials are slated to continue through next year. The ERP will be introduced officially on 1 January 1968, and will be followed by a two-year period of adjustment.

Although several of the principles and laws necessary to implement the reform have been prepared, few of the details are available. Some innovations have already been introduced in agri-

cultural management, internal trade, and labor management.

The planners are currently formulating the ERP, as well as a five-year plan (1966-70) which emphasizes the same goals, but the regime does not claim that either will be a panacea for Hungary's economic problems. Moreover, the regime has not yet determined how to put the principles of the new plan into practice. It is certain, however, that unless the party is willing to guide rather than rigidly supervise economic management, the operation of the economy will not improve enough to enable the goals of the program to be achieved. Meanwhile, until the ERP is well under way, it appears that liberalization in the economy will proceed rather slowly.

"Leading Role of the Party"

A less pervasive role for the party in economic management is implicit in the new economic reform program. This has led to considerable confusion and debate as to what, precisely, the party's role will be after the reform is well along. To help answer this, the congress will discuss what the regime calls the "leading role of the party." This phrase means simply that the party, as a guide, must persuade the entire population to carry out both state and party directives.

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JANOS KADAR
Party First Secretary



BELA BISZKU
"Unofficial" Heir Apparent



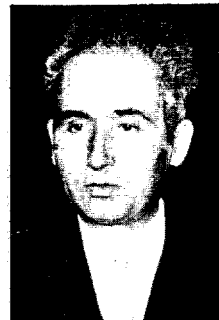
ZOLTAN KOMOCSIN
Agitation-Propaganda
Official



SANDOR GASPAR
Trade Union Leader



ISTVAN SZIRMAI
Propaganda Chief



LAJOS FEHER
Agricultural Specialist



GYULA KALLAI
Premier



ANTAL APRO
CEMA Expert



JENO FOCK
Economic Czar



DEZSO NEMES
Theoretician



MIKLOS SOMOGYI
Labor Official



FERENC MUNNICH
Former Premier

Alternate Members

- MIKLOS AJTAI
- JANOS BRUTYO
- LAJOS CSETERKI
- LAJOS CZINEGE
- PAL ILKU
- REZSO NYERS

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In answer to critics who charge that the party's role is impaired by reliance on nonparty experts, Kadar has merely asserted that the function of party cells in plant organizations will become increasingly important in economic reform since "enterprise autonomy demands greater party influence." Kadar praises the alliance between the party and the "nonparty millions" who support party policies and goals. He has told those who got their jobs by virtue of party affiliation, rather than ability, that the regime is confident they will be able to adapt to new situations.

Party Statute Changes

The congress will modify the party statutes in order to allow the party to function effectively under the conditions produced by the economic reform.

In an effort to make party membership more flexible and attractive, the congress will stipulate that "before any decision relating to his work or to his personality is adopted, a member may express his opinion"--thus assuring the card-carrying technocrat of the right to use his head when an ideological approach is impractical.

The congress may also seek a revision in the constitutional regulation concerning major party meetings, and a plan will be introduced whereby the party executive may call for a national party meeting between two congresses to draw up an interim summary of the experiences gained in implementa-

tion of the previous congress' resolutions. Since the executive organs now supervise the financial and administrative affairs of the party, some of the auditing committees will be eliminated.

Perhaps the most noteworthy revision to be discussed at the congress is the need for "a more precise definition of the functions of the top leadership." This became necessary because of the uncertainty that prevails in regard to individual responsibility within the party hierarchy.

Personnel Shifts

Some resistance to Kadar's policies exists among middle and lower level party and government functionaries even though the regime has been stabilized by the gradual elimination of extremist elements in the party hierarchy. A number of personnel shifts are expected during the congress, mainly to bring forth younger, more cooperative supporters of Kadar's middle course. There is some evidence of this already. Since May new first secretaries have been "elected" in seven of Hungary's 19 county party committees, and some of these shifts were allegedly made to "strengthen the party before the ninth congress."

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Changes in the party hierarchy may include the removal of President Istvan Dobi, [redacted] who has long been ripe for retirement, and Jeno Fock, Hungary's economic czar, [redacted]

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[redacted] Some of the older members of the regime leadership--such as politburo member Ferenc Munnich--may also be retired from public life.

Foreign Policy

Foreign policy will probably not figure importantly during the congress. Kadar's liberalization, especially the amnesty of political prisoners in 1963, has led to a normalization of Hungary's status in the United Nations and an improvement in its relations with the US. Hungary has been gradually expanding its diplomatic, cultural, and economic relations with both Communist and non-Communist countries. Last year, while issuing a clearcut declaration of continued support for the USSR, the regime again expressed an interest in expanding its relations with the West as well as in extending its relations with the newly emerging and nonaligned nations.

Budapest in recent months has apparently been giving some in-

creased attention to developing national positions. There is some indication, for example, that it may be interested in establishing full diplomatic relations with West Germany in the near future.

Outlook

Since the party plans to have its ninth congress celebrate the success of Kadar's "middle-of-the-road" socialism during the last ten years, there is no reason to expect major policy changes. Discussion of the economic reform program will probably raise as many questions as it attempts to answer, and, since the reform does not go into effect until 1 January 1968, any substantive provisions will probably be subject to later revision. The Kadar regime, optimistic and stable, will probably continue to explore --although with the same gradualism--new avenues of "socialist democratism" in an effort to retain popular support of its policies. [redacted]

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