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# CENTRAL INTELLIGENCE GROUP

## INTELLIGENCE REPORT

COUNTRY Hungary

DATE: 25X1X6

SUBJECT Schism in Social Democratic Party

INFO. [REDACTED]

DIST. 14 February 1947

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PAGES 2

SUPPLEMENT

ORIGIN [REDACTED]

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1. The Karoly Peyer memorandum on the corruption within the Social Democratic Party and Communist domination of some of the Party leaders was submitted to British Labor Party officials before Arpad Szakasits, leader of the pro-Communist faction in the Hungarian Social Democratic Party, was aware of its contents. British Laborites had approved the memorandum but stipulated that it should be circulated as a pamphlet a few days prior to the Party Congress held 1 to 3 February.

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2. Peyer himself felt that publication of the memorandum in Nepszava, the official organ of the Social Democratic Party, during the middle of December bolstered his cause somewhat and that 80 percent of the old-line socialists completely approved of the memorandum. He has also prepared a second memorandum containing information on specific instances of corruption among the Party leaders--particularly the Szakasits family--which he planned to produce at the Congress.
3. Szakasits has tried to effect a compromise with Peyer by offering Peyer and his group a fifty percent representation in the future government, which would have Szakasits as President and Peyer as Vice President. The offer was refused.
4. If the Peyer faction should be expelled from the Party, it will immediately become the nucleus of a new Socialist Party, politically in line with the British, Swedish, Danish and Austrian Socialists. Peyer maintains that in this event he has some assurance that the new Party will be recognized by these groups as the real representative of the Social Democratic elements in Hungary.
5. In case it is necessary to organize this new Party in opposition to the Szakasits faction, Peyer contends that he has been assured that some 20 Small Holders and six to eight Peasant Party members--each of them Members of Parliament--will join him, thus giving his group a total of about 40 seats.

The following comes from a relative of Szakasits, whose reliability has not been established:

6. The Peyer memorandum was a severe blow to Szakasits, coming as it did after the admonitory lecture he recently received from Prime Minister Attlee. Szakasits

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fears he may be hard pressed to explain some of the charges contained in the memorandum.

7. In view of the open dissatisfaction of a group in the Social Democratic Party, Szakasits has decided not to play so closely with the Communists as he has in the past. He does not, however, intend to relax in pressing for election reforms. He feels that having joined with the Communists in their demands on this subject, a new election would give his Party absolute majority if a million and one half voters are disfranchised under the projected reform, coupled with the growing unpopularity of the Communist Party in Hungary.

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