

PERSONAL HISTORY

When the war reached Hungary, I was deputy notary in a village in County Kolozs in Transylvania. Acting on central instructions, I went West before the advancing Russians, but did not leave Hungary. I was "liberated" in Western Hungary. Almost immediately, I went back to Kolozsvar, and joined my brother there, who was a Left Wing Transylvanian poet and writer. Many of the Transylvanian Communist leaders were his old friends. To start with, I was invited to the post of People's Procurator and occupied this post for a full three days. My duty was to screen the <sup>war</sup> ~~whole~~ time Hungarian language press and prepare charges against journalists and editors who could be accused of perpetrating fascist propaganda. I became very soon disgusted by this task of preparing indictments against fellow Hungarians who had been acting under central pressure. I wrote a rather rash letter of resignation and simply left my desk. Some of ~~the~~ my brother's friends became apprehensive of possible reprisals against me, but one of them, the president of the MNS (<sup>Nepi Szövetség,</sup> Magyar ~~Nepi Szövetség~~) (a Communist Mass organization for the Hungarian minority in Transylvania) felt that I am worth re-educating, so he appointed me administrative secretary of the MNS. After working there for seven months, at the end of 1945 I was arrested on an unknown charge. After four weeks under arrest, I was charged with having aided the German occupation authorities in providing workers for trench digging in 1944. I was released pending trial but was confined Kolozsvar. Instead of awaiting trial, I fled to Hungary

with my brother. We went to Budapest. I lived by dealing on the black market at an increasing scale right until the stabilization in mid '46. I then got into trouble and was arrested because of a breach of regulations in connection with the expulsions of the Hungarians from Czechoslovakia and <sup>their</sup> a forced resettlement in Hungary. After a brief arrest of four weeks, I again got out and went back to Budapest. The scope for black market dealings having disappeared, I attempted to found a periodical devoted to problems of organization and method, a subject which has always interested me. Arvos (the present Minister of Finance) suggested that I should secure the sponsorship of the Communist Party, but I did not like the idea well enough, after all Hungary was governed by a coalition and I saw no pressing need for Communist support. Instead, I obtained the Rationalization Committee as my sponsor, I hired office space and a small staff. However, the Communist chief of the Press Department of the Minister Presidency stalled on the permit of publication. In spite <sup>of</sup> repeated promises, the permit just failed to materialize. The first issue was already in the press and I was deeply in debt and financial trouble. I found a way out by starting to trade in fire-wood and used the profits to pay off the foundation costs of the stillborn periodical. Subsequently, for six months I was working on a research team in the Teleki Institute, carrying on the large project on administrative reform begun before the war. After half a year or so, this research team was dissolved as insufficiently conforming to the Party line. I went back to firewood trading till some time in 1949, when the State monopoly

was established and took over this trade.

I was in something of a quandary at this point, because the net was obviously closing in on us economically. To make a living independently of the State was clearly becoming impossible. While not violently opposed to Communism, I felt uneasy about it and could not bring myself to jump on the band wagon. Instead, I attempted to cross to the West but could not make it, I just escaped the border guards. My guide was caught and confessed the names of the people he was trying to lead across, including mine. I went into hiding for two months. Eventually, I found a lawyer who succeeded in wangling things in such a way as to make it a reasonable proposition for me to re-emerge and stand trial. After extremely complex negotiations between my lawyer and the State prosecutor, I was acquitted.

In November 1949, I found employment in an iron foundry as an unskilled worker, and worked there till the summer of 1950. A few months after joining, I found that the machines are extremely badly arranged on the shop floor and put in a written proposal for their re-arrangement. That ~~presumptuousness~~ <sup>presumptuousness</sup> evoked hostility on the part of the management. ~~xxxxx~~ <sup>This</sup> in turn induced the workers to elect me as <sup>a</sup> sort of informal spokesman and ringleader in their troubles over wage and working conditions. To get rid of me, the management transferred me to the accounts office. I spent the second half of my period in clerical employment there, separated from the workers. I tried to enrol at the University of Economics, but was not admitted. Instead I gained

admittance to Commercial College and attended an evening course. In December 1950, there was renewed strife with the manager of the foundry and I left this job. I was unemployed for four or five months. I hoped to get a job with an office specialising in advising managements on office organization and methods. After much waiting for an opening, I finally gave up and went to a stone quarry as transport foreman. Finally, a job was found for me at the organization and methods office mentioned above. My position there was in their iron and engineering department. We visited firms in that industry, advising them on method. In the Spring of 1952, Gerš<sup>dis</sup>/solved this office and allotted its personnel to various economic ministries where organization and method departments were being set up. I happened to be allotted to the Ministry of Mining and Power, to its ore directorate as auditor, eventually I ended up as chief of division and chief accountant of the Ore Mining ~~Iron~~ Industry Directorate. Prior to my promotion to divisional chief, much pressure was exerted on me to join the Party. I refused to apply for membership, telling them that I would accept membership if they conferred it on me without my having to ask for it. However, in the Ore Mining Directorate, the personnel was very decent, and the pressure was always bearable. My chief, and predecessor as divisional chief was also a Transylvanian. He had himself transferred to the field as chief accountant of a mine, knowing he would make better money there. This is how I succeeded him. He was afterwards accused of sabotage because of his leaving the Ministry although he left, and took up his new job, with all the

necessary official clearances. The director of the directorate, a miner, and the chief engineer of the directorate, yet another Transylvanian, were both decent chaps and they never worried me about Party membership.

POSITION OF ORE MINING 1952-56.

Iron Ore. A significant feature of <sup>the</sup> development of heavy industry in Hungary in this period was that ore mining was relatively less pushed than blast furnaces. The general presumption is that Hungary's iron ore deposits are so limited as to make their development uneconomic, so that the expansion of the domestic iron and steel industry cannot be based on indigenous ore deposits, but must rely on imported iron ores. In my view, this is a mistaken presumption. As I see it, the situation was that our economic planners were quite content to neglect a development of <sup>a</sup> Hungarian iron ore base, and deliberately relied on Krivoi Rog ores.

I have circumstantial evidence to support this opinion of mine. Our major iron ore mine Rudabanya (North East Hungary) was producing at more or less its prewar capacity all the time I was in the Ministry of Mining. However, its current output was either delivered to the blast furnaces or was stock-piled according to whether arrivals of Krivoi Rog ore went ~~in~~ according to schedule or not. In other words, Rudabanya's full capacity was in effect only utilized when Krivoi Rog deliveries fell short of the schedule. At other times, part of current output had to be "stock-piled". This involved terrific waste, because the cost of

stock-piling the ore is almost as great as quarrying it in the first place, not to mention the cost of taking it out of the stock-pile again.

The price of Krivoi Rog ore was technically secret, but it soon leaked out and I learned that it was <sup>40</sup> Rubels per ton f.o.r. Zahony. Rudobanvya ore of the same quality was sold at 60 fts. per ton! Krivoi Rog ore theoretically has a 52% iron content, but in practice its metal content is very often much lower than this. Rudobanvya ore has only a 36% metal content, but a much lower silicium dioxide content which renders it superior to Russian ore in many respects. It is more suitable for our blast furnaces. This factor was considered in our technical circles just to balance the (alleged) higher metal content of Krivoi Rog ore. This is why I venture to say that Krivoi Rog ore and Rudobanvya ore are of about equal value and <sup>quality</sup> quantity. We in the Ore Mining Directorate fought long battles to settle the price of home ore and bring it into line with the ore price paid for Russian imports, but we were unsuccessful. The price of 60 fts. per ton was terribly below our cost of production; the 1952-56 average cost of production was fluctuating either side of 80 fts. per ton.

The refusal of the authorities to change the price of Hungarian ore rested on their adherence to <sup>the</sup> whole unrealistic price structure. They were afraid to <sup>touch it</sup> ~~budget~~ in anyone place because this would have set off <sup>a</sup> ~~the~~ chain reaction and would have involved the revision of the whole price structure. It would have involved

a raising of steel and engineering prices, which they were

afraid to do, because this, in turn, would have meant the jacking of <sup>have</sup> ~~raising~~ up the price of our exports to Russia. It would ~~XXXX~~ rendered Russo-Hungarian trade less profitable to the Soviet Union and hence the proposal to revise the price of our Rudabanya ore was deemed not to be friendly to the Soviet Union.

The nominal price of 40 rubels, that is 120 forints f.o.r. Zahony and 152 forints f.o.r. Osd (the Steel Works in County Borsod) was also unrealistically low. According to some calculations I made at the time, the real price we paid was nearer 350 forints, because our counter-deliveries to Russia were even more under-priced. It must have cost <sup>the</sup> Russians more than a 120 forints to transport the ore over 1500 km from Krivoi Rog to Zahony, leaving the cost of mining it entirely on one side. However, what they lost on the swings the more they regained on the roundabouts by obtaining \$ for 120 forints Hungarian counter-deliveries worth several times that sum.

#### RUDABANYA INVESTMENT.

Plans and blue prints for a large ore preparation Works for Rudabanya at a capital outlay of over 100 millions forints, were completed in 1952 and work started on it in the following year. Soon afterwards, in the Imre Nagy period, the work was suspended but was resumed after the fall of Imre Nagy in 1955. It is as yet unfinished. The purpose of the plant was to refine (concentrate) a certain very low grade Rudabanya ore which was being brought to the surface as a by-product of the mining of the standard ore. Before the war, this low grade ore was being

smelted all right, but in my time, for some reason unknown to me, the furnaces no longer used this ore and it was just being stock-piled in dumps in Rudabanvya.

#### RUNNING DOWN OF RESERVES.

Compared to the output plan of Rudabanvya, the preparation of open-cast reserves (their opening up for future mining) has never kept pace. The margin of prepared reserves was narrowing all the time. This was the case both in terms of the planned targets and in terms of their actual execution. The mine did not get any bonus for opening up, only for actually producing the ore. Thus there was a bias towards exploiting the more easily accessible, or already opened up reserves, ~~for~~ <sup>and</sup> Rudabanvya <sup>lived a</sup> /on/ hand to mouth basis. Another contributing factor to this ruinous exploitation was <sup>bureaucracy</sup> ~~hierarchy~~. The sources of financial ~~cover~~ <sup>cover</sup> for various operations were being shuffled and re-shuffled, certain costs regarded as running expenses in the past were re-classified as capital outlays in 1952, and therefore opening up of reserves, now a matter for the capital account, depended on the investment allocation we succeeded in getting, and not on the pace of current production. In 1953, the cost of opening up was again transferred back ~~for~~ from capital account to cost of production account. The position became somewhat less anomalous then.

#### OUTPUT.

The output of brown ore in Rudabanvya was usually moving between 250,000 and 300,000 tons per annum. There was plan to raise it in



a big way by the early 1960's. The low-~~brax~~<sup>grade</sup> ore mentioned in the previous section was all produced for stock. ~~The~~<sup>Its</sup> output was down to 60,000 tons per annum, this could have been stepped up to many times that figure after completion of the concentrating plant. Of course, our nightmare was the discrepancy between output and sales (deliveries). Between 1952 and 1954, there were tremendous swings in our delivery plan compared to our output plan, resulting in a stock accumulation of up to about one third of current output. Regardless of our deliveries, the Ministry paid our full costs of production, and then, when the accumulated stock had to be drawn again, it had to pay nearly as much again to finance the work of taking it out of the stock-pile. No proper storage was provided, and the "stock-pile" ore was being dumped in all sorts of pits. After 1954, we succeeded in persuading the various authorities to give us a somewhat lower output target and then we could start to work off the stock. It turned out that there were serious shortages. The stock-pile was smaller than it was supposed to be. The reason was either that there was less ~~priz~~<sup>real</sup> production in the past than that shown on the books, or that the ore got mixed up with earth in the storage pits. In Rudabanya, we had a shortage of 15,000 tons of iron ore, and in Reesk a shortage of 4000 tons of copper ore. When these shortages were detected, we had to stage an "investigation", some fines were imposed, some ~~bonuses~~ were withdrawn, but there were no serious consequences as we did our best to save the chaps concerned. Nobody really cared about the inefficiencies, the depletion of reserves and the loss of work already done. Even the mining

engineers, who should have their heart in the mine, were indifferent and were playing safe.

#### ORGANIZATION.

Before the war, not every ore mine was an independent firm. For instance Rudabanya was just a mine belonging to the Kinamurany-Salgotarjani concern. Now the authorities wanted to have each and every economic unit as an organizationally independent firm with full accounting responsibility so that they could "see into it". Thus each small mine became a separate firm, ~~with~~ <sup>with</sup> an unnecessarily top-heavy administration, ~~and~~ <sup>whilst</sup> a mania for proliferation and specialization made them join these ore mines into an ore mining directorate, which involved more topheaviness still. I advocated simplification of the organizational structure, the abolition of the Directorate, the formation of an ore mining firm administering the individual mines. But it is a typical internal contradiction of State Capitalism that whilst they tried to over-centralize, they must <sup>set up</sup> ~~make~~ centralized bodies lower down right through the scale, each being an organizationally fully-fledged unit. Thus, the over-centralized State must also over-decentralize. It creates at least five times as many full-fledged firms as there were before. The man at the very top wants full visibility right down, he wants to "see into it" and he does not want a mine to hide behind an organizationally self-contained veil of a Steel Works. As there are many small units to observe from the top, many people are needed for observing and a giant control organization grows up on the Directorate and Ministry

level which gradually succeed in strangling productive management and drowning it in bureaucracy. The market anarchy of capitalism re-appears with a vengeance, - there is over-production of the useless stuff and no production of the useful won in State capitalism. The number of unproductive employees compared to the number of productive ones, is much higher than before. Not only does this involve a corresponding loss of their real production, - it involves a further loss in that the bureaucrats misdirect the efforts of the remaining productive forces.

#### MANPOWER.

Two important branches of ore mining did not belong to our directorate. Bauxite was administered by the Ministry of Chemical Industry, while for uranium a separate department was set up in our Ministry, although with very limited functions and powers only. It was really only a liaison, an interpreter translating Russian executive orders into Hungarian. The head of this department was Gyula Szeker, now a deputy Minister.

The man-power in the mines administered by our own directorate numbered about 3000. Of these there were 900 in Rudabánya, 300 in Reök (this is not the notorious camp. The prisoners worked in the stone quarry, not in the copper ore mine), about 900 in Urkut (County Veszprem) (manganese ore mine), about 150 in Eplény (a small iron ore mine near Zirc in County Veszprem) and about 4 or 500 in Gyöngyös (a lead and zinc, pyrites and gold and silver mine).

RECSK COPPER ORE MINE.

During my acquaintance with this mine, the ore was always mined for stock and was never processed. A large stock was accumulated, which was eventually sold to Sweden in 1955. Apparently, some processing troubles prevented its smelting at home. Before the war, <sup>Recsk</sup> ore was peacefully being smelted in Hungarian installations. I do not know why this should not have been feasible any longer. I cannot believe that our skills would have deteriorated all that much since before the war. Besides, we were labouring under <sup>a</sup> tremendous shortage of copper. The export of this ore was probably an economic <sup>crime</sup> ~~loss~~, but who cares if the State is the master?

URKUT MANGANESE.

Prewar, this mine was partly or wholly owned by German interests, and after the war it, of course, became Russian property. Then the Russians allowed themselves to be bought out, I believe in 1953. On transfer to Hungarian ownership, the Russians made a fantastic profit on writing up the fixed capital and the latent reserves of the mine to an absurd level.

The annual production of manganese concentrates at this mine was around 70 to 80,000 tons. In Urkut, opening up has never kept pace with exploitation. Our blast furnaces, driven ahead by the plan, wasted and frittered away the first class ore, using it where second class ores should have been sufficient. This practice has led to the visible exhaustion of Urkut and on noticing

this, the authorities started a feverish exploration activity in the Bakony range to find a replacement for the rapidly vanishing Urkut manganese. Manganese deposits were in fact found, but the ore occurred in some new impure form, necessitating complex refining operations which will involve the erection of another large concentrating Works somewhere in the neighbourhood.

#### GYÖNGYÖS LEAD AND ZINC.

These deposits are of a very poor quality and working them is not justifiable on economic grounds, but only on grounds of the Western strategic trade embargo. On the other hand, the gold and silver content of the ore turned out to be pleasantly above that forecast.

#### PEOPLE AND MORALE.

At Rudabánya and Urkut, and to a lesser extent in Reesk, the miners employed were mainly professionals. Gyöngyös, on the other hand, was a new establishment and its manpower was recruited from the local population. Labour discipline there was correspondingly low, - during Spring sowing and harvest, a large percentage of them failed to turn up. In Reesk, there was serious danger of silicosis, and miners endeavoured to drift away to some other employment before they got it.

In ore mining, there were not as many declassé elements as in coal mining. The workers in the mines under our directorate never concealed their hatred of their superiors. Their average

pay varied around 1100-1200 forints a month. This was way below the pay they could get in coal mining. Coal was a star industry. In coal mining, the wages system (payment by result) was so sharply progressive, that if the output per man-shift got beyond a certain level, the labour cost tended to exceed the price of coal. This suited the miners well, but not the management, because if the planned cost of production was exceeded, the managers forfeited part or all of their bonus. Hence they had an interest in keeping output per man-shift down.

It was anomalous that the pay and the wages-in-kind in coal mining were so much higher. Thus the coal mines sucked away our manpower which was small in the first place. But the Ministry would not approve of <sup>our</sup> wage proposals because that would have increased our ore mining costs.

#### APPARENT VERSUS REAL PRODUCTION.

As in coal, where much stone and slate is mined and thrown-in with the coal to fulfill or over-fulfill quantitative targets, so in our own industry too, the fixing of targets in terms of <sup>was</sup> tons ~~was~~ conducive to a lowering of the quality of the ore. The coal targets could have been fixed in thermal units, and we proposed that ores should be fixed in terms of tons of metal content. But the whole plan system, the cost and input-output calculations were all based on crude tons and the planners refused to have anything to do with targets fixed on some other basis.

ECONOMIC COSTS.

In my view, production drives and other sources of waste led to <sup>a</sup> ~~the~~ cost of production 30% higher, as well as to higher costs of capital account, than was really necessary. Our low real national income is due not only to Soviet exploitation and to the armament effort, but at least in equal measure to the insanity of State management. Its wastefulness is inherent in State capitalism. For instance, Gyöngyös was compelled to <sup>start</sup> producing ore in 1953 according to plan, although the ore concentrating plant was behind schedule and was not completed till two years later. We pleaded with the authorities to let the mine go on opening up shafts and generally preparing layers etc. while the plant is a-building. It was wasteful and pointless to go on piling up ore so much in advance of the completion of the concentrating plant. Our pleas were rejected, the plan could not be violated, so 13 million forints <sup>worth</sup> of ore was accumulated and proved virtually worthless.

It is not that there <sup>are</sup> not enough competent technicians to notice these irrationalities, - it was rather that they were afraid to speak up, - once the authorities declared that the given production schedule has already been built into the Plan Matrix, it would have involved far reaching and complex changes to revise ~~any~~ <sup>one</sup> schedule, and therefore nobody dared to force the issue. Why should they risk their skins? Besides, the technical personnel were <sup>not</sup> well remunerated. The differential between unskilled and highly skilled personnel was too low. This, too, made them indifferent to their jobs. In the pits, it was noticeable that the new Kaders,

young workers fresh from University express courses, were cocksure of themselves and would not listen to older hands as young mining engineers used to in the old times.

MINISTERS.

Sanior Czottner.

He is a man who will say 'yes' to whatever you say to him, wishy-washy, has no convictions of his own, but steers clear of trouble. I once discussed with him the question of the elimination of top-heaviness and the formation of a single firm out of a complex of ore mining firms. He agreed with all I said and promised to adopt my plan. Later I heard that he said 'yes' to an exactly opposite proposal submitted to him about the same time. During the revolution, on the 26th of October, I dropped in at the Ministry (our building was opposite the Ministry of Defence). I collected a group of colleagues to go to Parliament Square with them. At this moment, the Russian comrades started shooting at our building for no apparent reason. We <sup>went</sup> ~~remained~~ down to the shelter and on meeting Czottner, we pin-pricked him with unpleasant questions. I asked him why Gerö is still in the Central Committee. He blandly replied that Gerö is so experienced a comrade as to be indispensable. Whilst still in the shelter, Gerö's <sup>expulsion</sup> ~~expansion~~ was announced over the radio. Czottner then began to praise Kadar's experience and integrity. He is a 'Yes' man, <sup>a</sup> spineless non-entity. When the revolution won, upon the formation of a revolutionary committee in the Ministry, we dismissed Czottner and informed Imre Nagy of this fact. <sup>We</sup> ~~They~~ <sup>ed</sup> ~~asked~~ the miners not to produce coal till the



Russians are in Hungary, except for hospitals and essential civilian needs. Imre Nagy told us that we can bar Csottner from the Ministry building if we mistrust him, but he is still the Minister until the Government does not withdraw the portfolio from him. We cannot just dismiss him, so pending his fate, we must delegate a liaison officer to him but need not admit him to his office in the building. We followed Nagy's suggestion and Csottner was condemned to stay at home.

At another time, I forget when because ministerial changes in Hungary were so frequent, Arpad Kiss was our Minister. (Interviewer's remark: Arpad Kiss is at present chairman of the Planning Board in Kadar's Government). He is a chemical engineer. We regarded him as a more honest man than Csottner. He tried to be decent to his staff and to mitigate the worst features of Communist <sup>Cadre</sup> Kadar policy in a diplomatic way. He was definitely popular in the Ministry. I believe he was regarded as a revisionist ~~revisionist~~ in 1955 and was kicked downstairs.

Dr. Ferenc Kaszai, the last Deputy Minister prior to the revolution, was a mining engineer and a thoroughly acceptable man. We elected him to chairman of our revolutionary committee and he was our candidate to succeed Csottner. We proposed him to Imre Nagy and he agreed in principle.

A Minister had no more scope for decision in a Communist country than a Works manager had before the war. He had to get Party and Planning Board and Ministerial Council approval for the most trivial little decisions.