

## PERSONAL HISTORY

Respondent took her matura in 1946, married immediately afterwards, and until 1948 lived the life of a housewife. In 1948, her father's restaurant was nationalized, her father died, and needing additional income, she took a job with what was then called the Ministry of Trade and Cooperatives. While the name of the Ministry was changed over and over again, she stayed on and never changed jobs between this time and the time she left Hungary in November 1956. She had<sup>a</sup> flair for statistical work and for figures, - she started as assistant referent with 620 fts. a month and ended up as assistant chief of division with 1900 fts. a month plus a 20% bonus which was always steadily maintained and formed a stable part of her standard salary. Her application for party membership was rejected on ground of "kulak origin", which was an absurdity, because her father was a restaurant owner. During the revolution, she saw her own kader file, on which she was classed as "politically indifferent" and "a careerist". In her dossier, there were at least 30 items of outside information relating to her, some only a typed paragraph, some two or three pages long. There was material relating to her younger brother, a written opinion on her by the janitor of the apartment house where she lived, opinions by all her former chiefs and by those of her husband. Presumably, her husband's kader dossier

contained similar reports on herself, but she does not know as she was living separated from her husband. She liked her job, partly because she liked figures, and partly because of the significance of her work to the employees in the sector for which she acted as planning officer. There were 3000 employees in that sector of internal trade, most of them ill paid, making 800 fts. or so a month, and the bonus depended on the skill which she employed in getting the turnover plan of the sector accepted. It mattered a great deal to them whether in going to the Planning Board on a particular morning, she was battle-fit and goodlooking and smart or depressed, unattractive and lacking in persuasive power. Her sector as a whole always over-fulfilled the plan to an average corresponding to a steady 20% bonus, so that she was sure of her bonus herself, but the miserable storeman or clerk in an individual shop may not have been and she made it her business to fight for just this sort of people.

During the revolution, she was elected into the Central Revolutionary Council of the Ministry, made up of <sup>delegates</sup> ~~members~~ of the Revolutionary Councils of the individual departments. The election of the departmental councils was the first democratic ballot in her experience. Nobody "proposed" candidates, every ~~xxxx~~ voter wrote whatever names he wanted on his ballot paper, official or, for that matter any other, "proposals" were carefully avoided. After the

revolution, on or about the 13th of November, the deputy minister responsible for her department, János Halász, a one-time cabinet-maker, called in the Revolutionary Council members, telling them gleefully that a mere 10 days of disorder and upset sufficed for all masks to fall, so that it will be better if they do not ~~attend~~ <sup>attend</sup> at the office any longer, - perhaps they will get an indefinite paid holiday, but in any case they need not bother to turn up at the office from that day onward. Loss of her job and fear of eventual other consequences was one factor in her decision to leave Hungary. The other was that she has seen Vienna in the summer of 1956, her first trip abroad. A party of 12 executives of the Ministry was allowed to go to Vienna at their own expense as a reward for good work, and during this trip she became acutely conscious that she is being held on a string, that she will never be allowed to travel freely no matter how well and faithfully she did her work. A third factor was that her daughter was strongly under the influence of a woman teacher who was probably decent but had to teach what was prescribed, and this would have left a lasting mark on a small child. She wanted to break this influence and remove her child from under the Communist educational system.

#### ORGANIZATION OF INTERNAL TRADE.

The Ministry of Internal Trade was organized ~~into~~ <sup>into</sup>

I. Main Policy Departments: Main Finance Department,

Main Plan Department, Main Labor Department and Main Accounts Department. (Incidentally, Dr. Rácz, the chief accountant of the whole Ministry, was a non-party man and only 32 years old. This shows that experts were valued regardless of ~~the~~ <sup>their</sup> political commitments. Admittedly, this was less so in the Industrial Ministries, but in commerce, there were not many worker kadets.)

II. Main Directorates ~~XXXXXXXX~~ <sup>=</sup> Main Practical Departments (Főigazgatóság = Szakfőosztály) (the Hungarian term for what is here translated as "Main Policy Department" is Elvi Főosztály.) There were 7 Main Directorates: for catering, for food, for clothing, for chemicals (drugs), for hardware, for fuel, and for "cultural goods".

Respondent was assistant head of this latter ~~directorates~~ Main Directorate.

The "cultural goods" Main Directorate dealt with the following categories of goods: furniture, watches and jewelry, photographic equipment, sporting goods, toys and musical instruments, and "commission goods" (second hand articles). Books did not belong to "cultural goods", as the bookshops were under the Ministry of Education. This organizational set-up is identical with that found in the Soviet Union, Czechoslovakia and Bulgaria.

Respondent is not familiar with the organizational set-up in the other people's democracies.

Each "category" (e.g. furniture, photographic equipment, etc.) was the preserve of one ~~XXXXXXXXXXXX~~ <sup>wholesaling</sup> and one retail

"firm". The wholesale firm comprised a central office and warehouses, - warehouse space was so scarce that the basement and the ground floor of the Royal Palace were used as storage space for the furniture wholesaling firm. The retail firm comprised a central office and a chain of shops. The furniture retail firm had, ~~many~~ <sup>the</sup> average, 45 shops in the whole country, - this figure was fluctuating a little from time to time. The watch and jewelry firm had ~~xx~~ 110 shops, the photographic and optical firm Ofotert about 70, the musical instruments firm about 45, 15 of those in Budapest, the toys and sporting goods firm over 200, and the "commission" firm about 50. The total number of retail shops under respondent's Main Directorate was between 500 and 550, with about 3000 employees. In addition, further retail outlets <sup>were</sup> provided by the so called mixed shops in the villages, which were not "owned" by the Ministry of Internal Trade, but by the local councils. (E.g. the Type <sup>I</sup> ~~xxx~~ cooperatives.) These shops, however, were supplied by the appropriate wholesaling firm of the Ministry of Internal Trade.

#### AVAILABILITY OF CONSUMER GOODS

From 1952 to 1956, the retail trades under respondent's Main Directorate showed a steady upward development of turnover. Significantly, "country" turnover was going up much deeper than "industrial town" turnover. Generally, the country was responsible for 70% of the increase and

Budapest and the other main industrial towns for 30%. For instance, in furniture, the <sup>planned</sup> ~~planned~~ turnover in the fourth quarter of 1952 was 50-55 million fts. The last quarterly plan I drafted, that for the fourth quarter of 1956, provided for a furniture turnover of 186,000,000 fts. Of this increase, 3/4 were attributable to the increased standard of living of the peasant population. But the increase also proves the rise in the general standard of living during this period. The watch and jewelry turnover went up from 40,000,000 fts. per quarter to 80,000,000 fts. per quarter between '52 and '56. One factor in this increase was that since 1953-54, we were allowed to import West German and even Swiss watches. In the other trades, the increase of turnover was somewhat smaller. However, in no case was the increase in turnover due to inflation. It is erroneous to talk about inflation anyway. On May the 1st 1956, furniture prices were reduced by an average of 15%, watches by an average of 20%, and photographic articles by an average of 3%. Nor was there a rise in prices relative to 1952. Besides, the figure of 50-55 millions quoted above as the 1952 quarterly turnover is a comparable figure, i.e. it is computed on the basis of 1956 prices. Trade statistics had always to be comparable; in the plan fulfillment figures comparing ~~at~~ various time periods, always an identical price level had to be used. An important factor in the increase of the furniture

turnover was the re-introduction, for the first time since the nationalizations, of hire-purchase in 1954. This gave a visible boost to sales. At first, hire-purchase was permitted for tube furniture, then for cameras, then extended to most other large durable consumer goods, i.e. to those goods categories which were selling slowly, and in which "idle inventories" were becoming a headache. Never ~~later~~ was hire-purchase allowed for goods which were selling anyway. Tube furniture was an "idle inventory" as a result of the July program of Imre Nagy (1953). Before the July program, the bulk of Hungarian industry was busy on Category I. production, - of the 35,000 workers in Csepel, 25,000 were engaged in direct or indirect war material production. After the switch to consumer goods (IInd category) initiated by the July program, a firm producing aluminium tubes switched to furniture production and there developed a glut of tube furniture. This one factory alone poured out 40,000,000 fts. worth of tube furniture per quarter. It was of a very poor quality, mainly because the upholstery was poor, no Indanthren dye being available, nor decent cover material as there were no/<sup>decent</sup> textile raw material supplies. One suite of tube furniture, comprising one couch, two easy chairs, two chairs and a small table cost 7000 fts. The storage space in the Royal Palace and all conceivable places were being filled with it. Eventually, installment <sup>buying</sup> ~~leasing~~ was allowed, and all our

"idle inventory" was sold within a short time, so much so that a waiting list developed and it took "pull" to get one of these suites. Acquaintances came to me asking whether I could get them one of these despised sets. 25% of the price had to be paid as a deposit, and one year was allowed to pay the balance.

#### THE PROCESS OF PLANNING TRADE

The turnover plan of respondent's Main Directorate in the Ministry of Internal Trade was fulfilled each year she was there except in two wet summers when Qfotert failed. This, however, was a purely seasonal factor and had nothing to do either with availability or with consumer purchasing power. Respondent had the task of ~~drawing~~<sup>drawing</sup> up the turnover plan of the Main Directorate. The process of planning was a two-way affair, - "from bottom to top and from top to bottom". Six weeks before the beginning of each new plan period, the retail shops submitted their own draft plan to the retail firm. The retail firm summed the plans of the individual shops and submitted it to her. The individual shop managers were able to draw up their plans on the basis of ~~the~~ general information. Firstly, they knew what <sup>their</sup> ~~that~~ turnover was in the previous plan. Secondly, they knew, by periodic visits to the central office of the retail firm or to the Ministry, as well as by trade gossip, what the prospects of supply <sup>were</sup> ~~are~~ for the next period in the particular branch. The majority of them



were old shopkeepers, expert tradesmen, who knew each other from pre-war, and maintained close contacts. They had "feel", - in Közért, anybody could be a shop manager, anybody can <sup>sell</sup> ~~mix~~ lard or <sup>flour</sup> ~~flour~~, but in our trades, the old experts had to be retained. You can not foist a camera on a customer unless you know something about cameras. So these people, learning what quantities of supply they are likely to get from us out of any given description of goods, could make a shrewd estimate of what the demand for those goods will be. They then turned around and understated this estimate by as much as they dared to. The reason, of course, was that the lower their plan compared to the eventual turnover, the larger their bonus. In our categories of goods, where sales effort mattered <sup>a</sup> great deal, the bonus on the shop manager level was limited to ~~the~~ <sup>a</sup> maximum of 50% of the basic salary. On the other hand, in food and staple textiles, which were selling anyway, the limit was very much lower. On the Ministry level, the maximum bonus was 20% of the salary. After receiving the draft plan figures from the retail firms, respondent increased them according to her own "feel", and put them before the Plan Policy Department of the Ministry. They discussed it with her, - they trusted her judgment, and seldom suggested alterations except in cases when they had information which she did not possess. For instance, they may have learnt that there is prospect of a more generous foreign currency

allocation for consumer goods imports, in which case they increased the planned turnover figure, as imported stuff sold like hot cakes. The Plan Policy Department merged the draft plans of the 7 Main Directorates into 3 draft plans, for food, for clothing, and for "mixed manufactures". These three figures were forwarded to the Planning Board, say, three weeks before the beginning of the next plan period.

At this stage, planning "from bottom to top" met with planning "from top to bottom". By this time, the head of the Main Department for Internal Trade of the Planning Board, a man called Ligeti, a former shoemaker who was a fool and a scoundrel, was already in receipt of three corresponding "guiding figures" given him by the Council of Ministers, in practice, by Gerö, that is for food, for clothing and for "mixed manufactures". If there was a discrepancy between these guiding figures and the "bottom to top" plan figures of the Plan Policy Department of the Ministry, the Planning Board generally acted on the principle of "splitting the difference". In the nature of things, the Council of Ministers' guiding figures tended to be higher than the Ministry figures, for the very simple reason that the Ministry figures, built up from bottom to top, reflected a desire to understate the chances and thus to secure larger bonuses, while the Council of Ministers figures were intended to secure wages economies via small or zero bonuses. Not infrequently

it happened that instead of simply splitting the difference, the Planning Board took the Ministry's side vis-à-vis the Council of Ministers. On the other hand, the Council of Ministers could always get its own way if it really wanted to. The most flagrant such case was in the textile and clothing trade, where the poor chaps could for two whole years never get more than about 80% plan fulfillment, and accordingly never received any bonus, because of the ridiculous turnover plan targets set by Gerö. They could barely exist on their basic salaries, and they had no hope of earning a bonus. (Interviewer's remark: as the allocation of supplies to retail shops must, allowing for planned changes in inventories, correspond to the sales turnover targets set for them, 80% plan fulfillment would seem to suggest that unsaleable textile and clothing stocks were being accumulated at the rate of at least 20% of current supplies.)

When the three global sales turnover figures were finally agreed on at the Planning Board level, a tug-of-war ensued as to the further breakdown. For instance, the "mixed manufactures" figure had to be broken down into targets for chemicals, hardware, and "cultural goods". Within "cultural goods", separate targets had to be set for furniture, watches and jewelry, sporting goods and toys, second hand goods, etc. Within the furniture target, the furniture retail firm had to charge out its target to the individual furniture shops. On this level, there was

an incentive for the shop manager to bribe the plan people in his firm so as to secure a smaller turnover target (which he could then easily over-fulfill) at the expense of other furniture shops of the same firm. In effect, the shop manager shared his resulting bonus with the plan man of the firm to <sup>whom</sup> ~~him~~ he owed it. For this reason, respondent was obliged closely to scrutinize the plan allocations made by each retail firm under her Main Directorate to the individual shops. Bribery did occur just the same, but probably to a lesser extent.

#### QUALITY AND RANGE

During the period 1952-1956, the quality of consumer goods improved somewhat, although not so much as their quantity. In retail trade circles, the years 1949 to '53 were called the "years of fright", when "effective" consumer demand was flagging, when there was such a material shortage that one could not have a shoe soled, and when most things were either not be had at all, or only in the wrong season. Turnover slumped badly, then a general improvement started. The quantitative increase in availability was due to the shift in the main categories of industrial production. The factor most responsible for the qualitative improvement was that in early 1955, the state retail firm (though not the retail shop) was finally permitted to buy from MASZEK producers. Hitherto, Ministry approval was needed to purchase a piano from a MASZEK piano builder. From then

onwards, however, a retail firm could buy, without anybody's approval, a dozen knitted sweaters or dining chair from a MASZEK artisan, and was no longer absolutely dependent on its appropriate state wholesaling firm for range of supplies.

The mechanism of range and quality control could best be described in the following terms. The wholesaling firm would go to industry and talk according to the state of trade. If for instance kitchen furniture happened to be scarce, they went humbly, they begged the industrial firms to let them have some, and would not argue or utter <sup>a</sup> ~~the~~ word of criticism even if industry <sup>offered</sup> ~~offer~~ them nothing but pale blue tables and chairs. In that period, then, nobody could have kitchen furniture in the shops other than pale blue. On the other hand, if the wholesale director noticed that industry was getting more raw materials, he would talk very differently. He knew from the executives of the parallel retail firm what sort of qualities and range consumers happened to want at the time. (He was not supposed to know it directly from the retail shop managers. Contact between the wholesaling firm and the retail shop managers was strictly forbidden, lest the shop manager be enabled to go to the ~~wholesaling~~ <sup>wholesaling</sup> firm, where he may have had friends, and pick up from the warehouse some fast selling line which was scarce and had to be distributed justly among all the shops, (e.g. lest he be given 50 Swiss watches instead of the 10 the

other shops were getting.) The wholesale firms were interested in securing better quality and wider range from industry if and when such quality and such range was necessary to stimulate consumer demand into taking off their hands all the supplies that were allocated to them for sale.

A particular racket in the watch and jewelry trade developed around wedding rings. They could be had only on the first day of each plan quarter. In other words, the allocation was always sold out on the first day. The state purchasing agencies were buying used rings at 25 fts. per gramme, and the best gold objects at 30 fts. per gramme. Their purchases were sent to a central collecting depot and were sorted. The best stuff was exported abroad by Artex, (the state foreign trading firm which was also responsible for the export of objects of art and <sup>period</sup> furniture taken away from deportees in the 1950-51 deportations.) The run-of-the-mill stuff was melted down and re-cast into wedding rings, which were then sold for 140 fts. per gramme. The State operated at a profit margin of 115 fts. per gramme. The anti-social character of this price is best brought out by its comparison with the 858 fts. average monthly wage of the total working population in the second quarter of 1956. (Interviewer's remark: This figure is but a recollection of respondents)

## WAGES IN RETAIL TRADE

There was a sporting goods department store in Baross Square in Budapest, employing about 30 sales clerks, and achieving a quarterly turnover of between 6 and 7 million fts. The shop manager received 1800 fts. a month as basic salary, senior sales clerks 950, and junior clerks 600. This was a ludicrously low pay. In the Kőzért shops, there were people who took home a bare 500 fts. They had no hope of earning a bonus, because none ~~was~~ was payable for the fulfillment of sales plans of lard, flour, bacon and other scarce and staple food stuffs which sold anyway.

Generally, no bonus was payable up to 100% fulfillment. Above 100%, there were 4 bonus scales according to 4 main categories of goods, ranging from 1% bonus for each 1% overfulfillment down to 1/2% bonus for each 1% overfulfillment. The categories were fixed according to which goods were scarce and which needed a sales push.

## SATELLITE TRADE

In the Ministry of Internal Trade, there was a department called with disarming simplicity, Hungarian Trade Bureau (Magyar Árucseréforgalmi Hivatal). Its chief was Dr. Robert [REDACTED], whom respondent regards as her close friend. Before the war, he was a chemical manufacturer of Jewish decent, his former name was [REDACTED]. After the war, he at once joined the Communist Party, and

by 1948, he rose to the position of Secretary of State in the Ministry of Foreign Trade. After '49, he was demoted for his Western connections, (he went to an English university), and became the head, first of the chemical and then of the "cultural goods" Main Directorate of the Ministry of Internal Trade. He was a man of extra-ordinary ability, and a ~~market~~<sup>straight</sup> dealer. His trade bureau was responsible for the foreign trade conducted with the ~~satellites~~<sup>under</sup> COMECON (EGST) auspices. They had much to do with coal, and respondent remembers from personal experience that they also had to do with building materials and with pit props from Czechoslovakia. One of the problems she got involved in was the export of furniture, made by artisan cooperatives, to the Soviet Union. This furniture was of good quality, by far the best of the Hungarian furniture production. These cooperatives were working at a severe loss, because the export price was way below cost of production. They lived precariously, by prolonging the bank credits and crying out for larger ones. One of the assistant chief accountants of the Ministry of Internal Trade was in Moscow in December '55, and saw this furniture displayed in the GUM store. He spent some time in GUM, and he was much impressed by the fact that everything was behind glass lest the customers should steal it. As to living standards, he found that price-wage relationships ~~are~~<sup>were</sup> virtually the same in Moscow as in Hungary. Respondent



did not believe that all Hungarian exports to the satellites were sold at a loss. She thought [redacted] gave as good as he got. For instance, in 1954 there were large "idle inventories" of poor quality canned foods in Hungary. Hardy fooled the Czechs and got rid of a large quantity to them.

#### MINISTERS

József Bognár. He was an alert and an <sup>undoubtedly</sup> ~~maximally~~ intelligent man. Respondent only saw him two or three times during her career, but she heard much about him from [redacted]. Bognár had élan, but he was an opportunist and a spineless compromiser. The reason why a 600 fts. a month man could not get bonus was that Bognár was very "cooperative", he would not speak up at the council of ministers and would not fight for the wages and welfare of the employees in the shops owned by his Ministry.

Janos Tausz. This man was the successor of Bognár as Minister of Internal Trade. Formerly, he was First Deputy Minister in charge of the Main Policy Departments and of the Textiles Main Directorate. He was ignorant, vicious, malignant, vindictive, and illoyal towards his subordinates. He would always torpedo any sensible proposal. As [redacted] put it, he was an "incorrigible Stalinist".

Lauthan. He was the secretary of the Party Committee in the Ministry. A very intelligent and dangerous man. The Ministry's Party Organization was a particularly

unpleasant, vigilant and ubiquitous one. Lauthan was very powerful, eventually he was made Deputy Minister. As such, he was responsible for trade supervision and for the observance, by state shops, of fixed prices.

It was ridiculous to make him Deputy Minister on account of his responsibility for this very minor and limited field, but this was the easiest way of letting him have 5000 fts. a month and a Mercedes.

In the Ministry of Internal Trade, there was only one Deputy Minister, Sebes, whom the Revolutionary Committee did not recommend for dismissal and did not bar from the Ministry.