CHAPTER 7

Accommodation and the Limits of Economic Reform: Industrial Workers during the Making and Unmaking of Kádár’s Hungary

Introduction

During the late 1960s, Hungary embarked on a process of economic reform that profoundly changed the nature of the country’s economic model. Hungary’s New Economic Mechanism (NEM), as the reform was known, emerged out of the long-term discussion of the country’s economists and growing concern within the party leadership over poor export performance and the inefficient operation of much state-owned industry during the mid-1960s.1 Decided upon in 1966 and implemented in 1968, the NEM confronted these problems by dismantling the apparatus of centralised economic planning, and replacing it with indirect state control over more autonomous state enterprises, which were instructed to maximise their profits. Indirect control was established through state setting of prices and the taxation of enterprises, which were shielded from the impact of the world market by administratively determined prices and the maintenance of the state monopoly over foreign trade.2 The semi-planned, quasi-market nature of the economic system established in 1968 existed to provide an improvement in economic performance that could maintain the social settlement that had allowed the Kádár regime to consolidate its authority in the aftermath of the 1956 Revolution. Its implementation, however, directly challenged many aspects of that social settlement, especially insofar as the skilled, male, urban elite of the working class were concerned. This challenge, the opposition it revealed, and the way it came to be politically articulated, reveal a great deal about the nature of that social settlement, particularly in relation to patterns of working class accommodation and opposition, and the nature of late socialism in Hungary.

The introduction of the reform was met with a wave of working class protest. The most common form this took was that of labour mobility, as workers made use of the liberalisation of the rules on changing jobs introduced in the 1967 Labour Code to seek higher earnings.³ Behind the increasing willingness of workers to take up and leave lay deep-seated grievances, as many felt that their status was being eroded by economic reform. Some felt alienated by what they saw as a ‘new managerialism’ in industry, marked by high premium payments to managers in spring 1969, and rationalisation campaigns in the workplace. According to party-investigators, many workers ‘spoke of the leading role of intelligentsia, and some said that management are a “new class”’.⁴ In the consumerist climate of the late 1960s, many complained that ‘the price of consumer goods can only be paid through overtime, the income earned from a second job or another source’.⁵ Much of this discontent took the form of urban working class jealousy over the rural population, who were believed to have access to supplementary incomes not open to their counterparts in the towns. One working class correspondent to the party newspaper complained that ‘a family in an agricultural producer cooperative can get together enough money in two or three years to build a very nice house from their own resources. The factory worker, however, can only build if they take on a loan for the rest of their life’.⁶

The history of this discontent has been overshadowed by its widespread political uses during the early 1970s by the managers of large industrial companies and those in the party apparatus who opposed economic reform. As elements of the change of 1968, particularly those that impacted on the labour market, were reversed, further changes were put on ice, and the state moved to curb what it saw as the growth of ‘capitalist elements’ within the economy, while officials justified such shifts with reference to the presumed need to ensure that ‘the core of the workforce of each factory receives better moral and material rewards’.⁷ The political uses of working class discontent by factions of

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³ Fazekas and Köllő 1990, p. 98.