

**THE NEW ECONOMIC MECHANISM IN HUNGARY
REFLECTED IN THE ROMANIAN QUOTIDIAN CRIȘANA
(1968-1969)**

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Abstract. *A major economic reform that took place in the People's Republic of Hungary started during the end of the 1960s. It was called The New Economic Mechanism or the NEM. The initiator of it was the Hungarian communist leader János Kádár.*

The government introduced economic regulators, i.e. indirect financial, fiscal, and price instruments used to influence enterprise activity. It also introduced a profit tax and allowed enterprises to make their own decisions concerning output, marketing, and sales.

In a period of control and censorship, much information regarding the Hungarian NEM could get to the reading public of Oradea. The articles containing all the concerning data presented in the newspaper Crisana, between 1968-1969, are analysed in the following study.

Keywords: *NEM, János Kádár, Crisana, communism, censorship.*

The New Economic Mechanism (NEM)¹ was a major economic reform launched in the People's Republic of Hungary, starting with the year 1968. The project has some roots in the years 1956-1969, when many economic reforms occurred in Eastern Europe, in countries like The German Democratic Republic, The Soviet Union, and Yugoslavia, who adopted a new economic policy through new economic reforms.

The beginning of these transformations in Hungary was marked by the Hungarian Revolution of 1956 which resulted in János Kádár's placement as the communist leader of the People's Republic of Hungary

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¹ Pölöskei *et alii*, 2004, 339.

and the creation of the Hungarian Socialist Workers' Party (HSWP)². The new Hungarian measures were applied to stimulate agriculture, so therefore economy. After five years of harsh repression, Janos Kadar launched a policy of reconciliation³, he purged the party of „dead wood” and allowed free discussion of the economic reform. This policy allowed many non-party experts to enter the administration and some came to occupy managerial posts in the economic sector. The government realized that the policy for industrial expansion was in desperate need for change. The living standard and economy of Hungary were growing but returns from industries were diminishing and they still greatly lagged behind those of the West. Therefore the government introduced new economic standards, in order to improve enterprise efficiency and make its goods more competitive on world markets.

In December 1964, a Central Committee plenum was formed to provide fundamental guidelines for the economic reform in Hungary. Hungary manages to export food, and in November 1965 the autonomy of enterprises is more and more visible⁴. In 7th May 1966, the Central Committee approved a reform package called the “New Economic Mechanism” (NEM), in which many of its elements would be phased in during a preparation period, but its central features required the introduction of a new price system, which was set for January 1st, 1968⁵. With the NEM, the government sought to overcome the inefficiencies of central planning, to motivate talented and skilled people to work harder and produce more, to make Hungary's products competitive in foreign markets, especially in the West, and, above all, to create the prosperity that would ensure political stability.

The NEM decentralized decision making and made profit, rather than plan fulfillment, the enterprises' main goal. The government introduced economic regulators”which were indirect financial, fiscal,

² Kristó *et alii*, 2002, 589-599.

³ During the 1960's the priority on the government was to expand the industrial sector, the chemical and engineering branches. The communist government forced rapid industrialization after the Stalinist pattern in an effort to encourage a more self-sufficient economy. The reconciliation began in 1961, with Kadar's slogan: “He who is not against us, is with us”.

⁴ The new planning for some economic reforms began in 1964. These reforms followed the lines of the „New Economic Model”, proposed by Polish economists in 1957-58, i.e. decentralization, production on a socialist profit basis, and the expansion of private enterprise.

⁵ Konrád, 1995, 253-267.

and price instruments⁶ used to influence enterprise activity. It also introduced a profit tax and allowed enterprises to make their own decisions concerning output, marketing, and sales⁷. Subsidies were eliminated for most goods except basic raw materials and the government decentralized allocation of capital and supply and partially decentralized foreign trade and investment decision making. Agricultural collectives also gained the freedom to make their own investment decisions and the economy's focus moved away from heavy industry to light industry and to the modernization of the infrastructure.

After its implementation in 1968, in a few years, Hungary seemed to be the most prosperous state in the bloc. However, this was due to the leeway given to profitable food and other consumer production on collective farms, and to small private enterprise, particularly in the service sector. But economic reform was not implemented in heavy industry. Still, the Hungarian dissent was minimal due to the rising standard of living and progressive liberalization. Travel abroad was virtually unrestricted and even long-exiled Hungarians were able to visit their country without difficulty. Like the Poles, Hungarians re-established their cultural and scientific ties with the Western world. By 1970, Hungary gained the status of a medium-developed country and its light industry was producing 40 to 50 percent of gross domestic product. The focus of the economy finally moved away from heavy industry and to light industry and modernization.

Even if the initial results of the NEM were positive, the reform however was not as sweeping as originally planned. The reform failed to dismantle the highly concentrated industrial structure, which was originally created to facilitate central planning and still inhibited competition under the New Economic Mechanism. Other problems were with the enterprises within Hungary, that continued to bargain with the

⁶ A system of free prices reflecting market conditions was implemented. The government wanted flexibility, but also to combat inflation. The new practice of price controls was introduced, so an item's price could have been fixed—because of the good's impact on the economy and the overall need to ensure stability (the material and basic intermediate goods), limited (to particular products or products, such as bread) or free (luxuries).

⁷ Giving the enterprises more freedom in deciding which products and technologies to invest in and manufacture, the decentralization provided the opportunity to align better with the world market. Firms were paid for exports in the Hungarian currency equivalent of the foreign currency they earned, as the government aimed to involve enterprises in foreign markets and in improving the quality of goods produced. The new plan established direct connections between the foreign and domestic markets on the basis of an appropriate exchange rate.

government for financial resources; the corruption was still evident in the Hungarian government. Opposition from government and party bureaucrats was supported by enterprises and workers who perceived the NEM as a threat to their privileged positions. The income of the large enterprises dropped after the introduction of the NEM, they worried about the competition of the smaller enterprises for materials and labor⁸. In November 1972, the Central Committee introduced a package of new measures to recentralize part of the economy, but the NEM was not fully abandoned at this time. New restrictions were placed to the smaller enterprises, wages rose, prices came under central control, and price supports were introduced.

The Hungarian economy, however, failed to meet the challenge of the world economic crisis after 1973. The dramatic price increases for oil and modern technology created a large external trade deficit, which led to increasing foreign indebtedness. Growth slowed down and inflation rose, leading to a period of stagflation. By 1978, a restructuring of the Hungarian economy took to bring consumer prices in line with world market prices and producer prices were reformed to bring more rational use of energy and raw materials. However, by the end of the 1980s, one-third of the gross domestic product (services, construction) was being generated by private business. By the end of the Kádár regime, the nation's gross foreign debt to the West had passed the \$18 billion mark.

The NEM reflected in *Crisana*

Crisana, is a local newspaper, written in Romanian, founded in Oradea, in the year 1945. The original name of the newspaper was *Viata noua* (i.e. “*The New Life*”)⁹. In 1945, the journal only appeared in four pages, on Tuesdays, bringing news from the Second World War. The address of the editorial office of *Viata noua* was Oradea, “D. Szilagyi no. 5”. In those ages it cost only “50 filler – 15 lei”. The name is changed into *Crisana* in 1946¹⁰, inspired from theregion with the same name¹¹.

⁸ Mulcahy, *The New Economic Mechanism: Causes and Consequences*, in http://econc10.bu.edu/economic_systems/Economics/Command_Econ/Reforms/comec_reform_nem.htm, 20.12.2014

⁹ See Appendix 1

¹⁰ See Appendix 2

¹¹ Crișana (in Hungarian: Körösvidék; in German: Kreischgebiet) is a geographical and historical region divided in 1920 between Romania and Hungary, named after the Cris River (Körös) and its three tributaries: Crisul Alb, Crisul Negru and Crisul Repede. The region consists of the current Romanian counties of Arad, Bihor and some parts of Salaj,

From now on, it is published daily (even on Sundays), into six-eight pages, with varied subjects - from political to social fields, from cultural to easy adverts¹². *Crisana* is known as one of the longest journals in Romania, with a continuous appearance for 70 years¹³. It is probably the most famous quotidian in Oradea, Bihor county even nowadays¹⁴. Until 1989, *Crisana* was “the organ of The Communist Party – The Bihor County Committee and of The People’s Council County”, an official voice of the state and of the party, an instrument of propaganda for the old regime. The editorial office was in Oradea, Romana street, no.3 and the administration was also in Oradea, on Moscovei street, no. 5, 6-8¹⁵.

Crisana is the perfect reflection of the history of the Romanian communism¹⁶, with all its phases: the moment of getting the power (1945-1948), the Stalinist era of the 1950s, the Gheorghiu-Dej period, a post-Stalinist type of communism, the Ceausescu’s era, starting with the second half of the 1960s. Later on, in the 70s *Crisana* follows the Korean type of socialism, during “The Cultural Revolution”, set up by Nicolae Ceausescu. Control over society, the media and *Crisana* became stricter and stricter in the 80s, when all the information, photos, the editing and printing processes were ruled by the state censorship – The Press and Print General Directorship¹⁷. After December 22nd 1989, *Crisana*

Satu Mare, and Hunedoara. Some of the most important cities are Oradea, Arad, Salonta, and Beius. It is bounded to the east by the Apuseni Mountains, to the south by the Mures River, to the north by the Somes River, and to the west by the Tisza River. Nowadays it is sometimes considered part of the historical region Transylvania, although it did not fall fully within the boundaries of the historical principality.

¹² The address of the newspaper is in the same place, only that the name of the street is changed into „Sindicatelor”. The public could talk with the journalists on the phone, *Crisana* having two different telephone lines. The price of it is now 100 lei.

¹³ It has the longest appearance in the North-Western part of the country. www.crisana.ro/stiri/eveniment-14/la-multi-ani-cel-mai-longeviv-ziar-din-nord-vestul-tarii-crisana-70-de-ani-151046.html, at 17.01.2015

¹⁴ Petcu, 2000, 164. During communism, Bihor county was considered the third most developed county after Cluj and Timis, in the media field, because of the great number of prints, publications and newspapers.

¹⁵ On the bottom of each number of *Crisana* during the 60s appeared also the numbers for the readers to call: 1-27-29 (the editorial office) and 1-27-34 (the administration).

¹⁶ A Hungarian edition of *Crisana* was the newspaper *Faklya*, that also appeared in Oradea. *Faklya* contained the same images, texts and format as *Crisana*, the materials being simple translations of the Romanian version.

¹⁷ In Romanian, *Directia Generala a Presei si Tipariturilor* (DGPT), an organism that regarded the censorship of the newspapers and of the publications, that prohibited many things in all the fields of the communist life: arts, cinema, prints... The main techniques were control, manipulation, propaganda, deceit. The personnel was formed of censors or

becomes *Crisana libera*¹⁸, as it appeared on the frontispiece of the newspaper, „independent quotidian”. *Crisana* appears also now, it can be read as a newspaper or online.

In the communist period, *Crisana* had four pages (rarely six), from Tuesday to Sunday, in an A3 format, typically for the communist press. It was a black-and-white journal, occasionally blue, when the articles were about the top figure of The Socialist Republic of Romania, Nicolae Ceausescu¹⁹, or with red bolded titles, when the subjects were about The Congresses of the Communist Party. The motto of *Crisana* was the political slogan ”Workers of the world, unite!”²⁰, encountered under the name of any Romanian newspaper or magazine, during communism. It cost only 25 bani, i.e. a quarter of one leu.

On the first page the subjects of *Crisana* during 1968-1969 were about the national problems, focussed on the popular figure of the communist leader, Nicolae Ceausescu. The pictures were of great format, usually one per page, in the upper corner on the right part of the page, but some numbers of *Crisana* also had up to three photos per appearance. The photos were about the ruler couple or about factories, workers, sportmen or communist meetings and events. On the second page were the local subjects, from agriculture, industry, reportages about workers and different units (manufactories, enterprises, ...). There was also presented the information regarding the schedule of the theatres, of the puppet plays and cinemas from Bihor county, the radio and TV emission program. The public could find out interesting things from the rubric *Sfatul medicului* (*The doctor's advice*). Few advertisements could be found in this second page. The next page was dedicated to literature, poetry and to declarations and speeches of the president or of other important persons from the government or from the party. The fourth page was full of information from abroad, from all kind of countries, not

readers, persons that were involved in the media process; they dictated the themes of the articles, their structure, the persons that could appear in the writings or not, the texts (they cut or added information) and the photographs. Zainea, Ungur-Brehoi, 2013, 375-386.

¹⁸ In English, “The Free *Crisana*”.

¹⁹ Usually the first page of the newspaper had in center the image of the communist ruler. The texts were tributes for his activity, described with huge photos where he appeared with his wife, Elena Ceausescu, in different visits in the Romania factories or in official meetings with other presidents.

²⁰ It is found in *The Communist Manifesto* (1848) by Karl Marx and Friedrich Engels. In German sounds like this "Proletarier aller Länder vereinigt Euch!", literally in English as "Proletarians of all countries, unite!". See Appendix 3.

only from the communist block²¹. There were some permanent columns like *Actualitatea internationala* (*International actualities*), *Stiri pe scurt* (*Brief news*) or *Telegrame* (*Telegrams*).

On this last page, with news from all over the world. Hungary and its main events were also described in the permanent columns. *Crisana* had an Agerpres²² correspondent, that transmitted the most important changes from the neighbouring country to the journal from Oradea. His name was Alexandru Pintea. The first article regarding the so-called „The New Economic Mechanism in Hungary” is found in *Crisana* at the beginning of 1968, in the number from January 3rd²³. It was a direct reference to the new mechanism and it was called *Rearanjari de preturi in R.P. Ungara* (i.e. *Prices rearrangements in The Hungarian People's Republic*). The text stated that from the first day of 1968, in the Hungarian shops all the products had new prices²⁴, „just as announced before” in the last session of the State assembly. „The New Economic Mechanism was happening”. This meant that some of the prices of the foodstuff were reduced: „a kilo of sugar was reduced from 10,60 forint to 9,60 forint”, „a kilo of butter was reduced from 66 to 50 forint”. The article notices that not only the foodstuff was cheapened. Clothes were having more economical prices as well: „the woolen goods”, „some ready-made clothes”, but also the shoes were cheaper. The Hungarians could also buy low-priced TVs and radios. In the same time, other external products and services were marked up, such as „the fabrics of synthetic fibers”, „the imported clothes”, „furniture”, and „the chemical products”²⁵. The article was put on the middle of the page, in the left, it was a small one, and was more an informational one than a journalistic remark.

The next articles regarding this mechanism are not expressed directly to this phenomenon, they speak about some trade protocols

²¹ The spectacular was that the public could read about Yemen, Turkey, Afganistan, El Salvador, Haiti, Honduras, Peru, even Maldine, countries quite far from the RSR. Normal news were those from Paris, London, Rome, Budapest or Moscow.

²² Ionescu, 2001, 58. Agerpres was the Romanian national news agency, who officially functioned for the communist system during 1949-1989, having a Soviet model organization. Agerpres transmitted the information to the censorship, and then, with all the visas, to the whole Romanian media.

²³ See Appendix 4.

²⁴ The price reform was also part of the NEM, and allowed for prices to reflect better the cost of production and the valuation by the market, and to correspond more closely to some measure of socially necessary inputs.

²⁵ *Crisana*, no. 3/1968, 4.

between Hungary and different countries. One such text is *Dezvoltarea schimburilor comerciale dintre Ungaria si Turcia (The Hungary-Turkey trade development)*, about a protocol for goods exchanges between the two until March 31st, 1969. Hungary had to deliver „chemical and metallurgical products”, „machine tools”, „electrical equipment”, and Turkey had to export „cotton”, „leather”, „tobacco”, „feed”, and „tropical fruits”²⁶. *Infiintarea unei intreprinderi comune ungaro-engeleze (The setting up of a common Hungaro-English Enterprise)* is transmitted from Budapest, by the same correspondent Alexandru Pinteau. The Hungarian Tannimpes, a foreign trade enterprise, set up the deal to create a common Hungaro-English enterprise called Richmond, who had to “bring Hungarian products on the English market”. The same article²⁷ states that the Hungarian factory Viscoza, and Hungarotex and Chemolimpex enterprises started the collaboration with the Austrian enterprise Stickstoffwerke. The last one was supposed to deliver to the Hungarian enterprise 5000-6000 tones/year of Akрил raw materials, for the manufacture of synthetic fibers. The alliance between the three was fixed on a period of ten years. These articles are short in 1968, included in a little column called *Pe scurt de peste hotare* (i.e., *Briefly from abroad*). One such material regards the collaboration with Poland, another one with Czechoslovakia (both in May 1968), and another with Finland (in October 1968). We find out that the Hungarian Enterprise Tungram had signed a contract with Fiat during 1968, for whom it had to deliver for a year, „reflectors and lighting for cars”, at the value of 700.000 dollars.

The material *Semnarea protocolului cu privire la schimbul de marfuri si plati intre Romania si Ungaria*²⁸ is about the economical exchanges between The Hungarian People's Republic and The Socialist Republic of Romania. After many negotiations between the two states, in December 4th, 1967 was signed the Trade Protocol in Budapest. Our country was supposed to deliver „machine tools”, „trade wagons”, „construction machinery”, „cars”, „wooden products”, different „chemical and sodium products”, „salt”, „building materials”, „furniture”, „foodstuff” and other trades. In exchange, Hungary had to export: „machine tools”, „electrical machinery and equipments”, „hoists” and „transporting machinery”, „wagons restaurant”, different

²⁶ The article was printed in *Crisana*, in February 3, 1968.

²⁷ *Crisana*, no. 18/1968, 4

²⁸ The article appeared in 5th of December 1968, in *Crisana*. The title in English is *Signed protocol of the exchange of goods and payments between Romania and Hungary*.

„measurement and control devices”, „medical technology” and „Roentgen”²⁹, „radio technology”, „laminated products”, „steel pipes”, „refractory products”, „different chemical products” and „medicines”, „pharmaceuticals”, „cotton fabrics”, „consumer goods” and others. The protocol was for the year 1969, and included an increase with 12 per cent of the trade exchange (compared with 1968), and with 37 per cent (compared with the long term exchange protocol)³⁰.

In the next year, also at the column *Pe scurt de peste hotare*, appears a short news about the first Hungaro-Yugoslav banking session, where was decided the „funding of the locomotives’ production” at the Hungarian enterprise Ganz-Mavag and at the Yugoslav factory Djuro Djakovici. In March 1969, *Crisana* reports that Hungary „acquired some foreign licenses” and „cooperates with many countries in order to develop its engineering industry” for agriculture devices. In this way, with a French license, Hungary had started to produce machines for the maize harvests, in collaboration with Yugoslavia.

Another article in *Crisana*, other new details regarding the New Economic Mechanism in Hungary. From *Sesiunea Comisiei comerciale mixte ungaro-italiene (The Session of the Mixed Hungaro-Italian Commercial Commission)* we find out that between April 21st and May 3rd 1969, at Budapest, took place the works of the Session of the Mixed Hungaro-Italian Commercial Commission, where was a protocol for the goods exchange between the two countries during 1969. „The lists of goods attached to the protocol presents an augmentation of both incomes and outcomes” said the article. During the second part of the year 1969, Hungary tries to have economic relations with the USA and with Peru. The two titles are *Realizarea unor intelegeri intre Ungaria si SUA (Achieving the agreement between Hungary and the USA)* and *Incheierea convorbirilor ungaro-peruviene (The Conclusion of Hungarian-Peruvian talks)*. The first article speaks about some understandings between the Americans and the Hungarians, and how they settled the prices for the goods. The second article was about the Hungarians’ desire to create in Peru some „mixed Hungarian-Peruvian enterprises to extract and commercialize metals and molybdenum”³¹.

²⁹ A unit of measurement for ionizing radiation, for the exposure of X-rays and gamma rays, named after Wilhelm Röntgen.

³⁰ The article also states that the Romanian ambassador at Budapest, Dumitru Turcus, offered a cocktail on this occasion.

³¹ *Crisana*, no. 56/1969,4 and no.62/1969, 4.

As a conclusion, even in the case of a foreign event, the media could present some details regarding it. It is nice to see that a local newspaper, not even the one from a metropola or from the capital of our country, could reflect so good the reality and could keep up with the economic and financial events, in times when communication was made with more difficulty, the information didn't had the speed that exist nowadays, and every word was controlled and monitored by censorship (both Hungarian and Romanian ones).

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www.crisana.ro.

www.econc10.bu.edu.

Annexes

Appendix 1³²



The newspaper *Viata noua* in 1945.

³² All the photos are reproduced from the editions of the newspaper *Crisana*, preserved in the collection *Periodice(Periodicals)*, at Serviciul Informare Comunitara (The Community Information Service), from Biblioteca Judeteana Gheorghe Sincai (The County Library Gheorghe Sincai), from Oradea, at 12.10.2015.

Appendix 2



Some of the first numbers of the newspaper from 1946 with the new name *Crisana*.

Appendix 3



The frontispiece of *Crisana* during communism (1968-1969).

Appendix 4



The first article from *Crisana* about the NEM in Hungary (January, 1968).