

## HUNGARIAN REFORMS

'Tasks related to the further development of the system of economic management' was the typically dry way in which Hungarian announcements referred to discussions under way in the Hungarian Socialist Workers Party. But at its meeting on April 17-18 the party's central committee took some decisions which could have far-reaching consequences.

In future all medium-sized and some large Hungarian enterprises are to operate under the rule of 'company councils' consisting of representatives of both workers and management. These councils will have 'all the rights of socialist employer and part of the rights of socialist ownership.' In small enterprises all managers are to be elected by assemblies of workers or delegates of workers.

In certain respects these institutional changes are simply an extension of reforms initiated in 1968 under Hungary's 'New Economic Mechanism' when enterprises were given a large degree of independence from central state control. The reform continued with certain setbacks throughout the 70s and has accelerated in the past three years with the result that Hungary now has the most decentralised system of economic management in the countries of the Warsaw Pact.

What makes these latest announcements unusual, however, is that previously it was enterprise managers who benefited from decentralisation. Now, workers, at least in small firms, are to be given a share in the redistribution of power.

The central committee's April communique only laid down guidelines. Details are to be worked out by the government next year. Hence it is too early at this stage to predict whether this attempt to introduce industrial democracy from above will result in forms of genuine self-management or get bogged down in problems of workers' alienation as experienced in neighbouring Yugoslavia.<sup>1</sup> Nevertheless it is one more step in Hungary's intriguing socialist experiment.

The central committee also confirmed Hungary's increasing orientation towards the market. Competition is to be stimulated in the hope of increasing incentives to higher performance and there is to be a 'greater play for the human factor'. All this amounts to decreasing state intervention at the level of individual firms with the inevitable result that 'inefficient' or 'unprofitable' enterprises will be allowed to go bust. In fact this process has already started. At the end of March the Pest



*Prof. Jozsef Bognar, one of Hungary's leading economists.*

County Construction Company became the first Hungarian firm to be declared bankrupt. Assets were used to pay wages but many creditors including cooperatives, other enterprises and the state itself were left to whistle for their money.

Producer prices are to be further allowed to find their market level with the result that consumers will have to pay more for certain items as subsidies are reduced. In January a wave of price rises were announced which included up to 21% on meat. This was a severe blow for Hungarians who are great meat-eaters. In 1975 a kilo of pork cost an average of 2.75 hours of work. Today the same amount costs 4.3 hours. Yet decreased consumption on the home market releases meat for export abroad—a not insignificant consideration for the government eager for hard currency to help pay off international loans.

Slowly, if not inevitably, these economic changes are having a political impact. Party officials are discovering that they can no longer wield as much power over economic managers with their new-found independence. In the public sphere, competition is to be introduced. Last year a law was passed to make it compulsory for all

elections to be contested by more than one candidate. Candidates will still have to emerge through the filter of the Patriotic People's Front, but nevertheless the voters will have a choice. The full impact of this new law will be seen in 1985 when the next elections to the National Assembly, or Parliament, are due.

Speaking in London a week before the April central committee meeting, Professor Joseph Bognar, head of the Budapest Institute for World Economy, expressed the desire that the continuing economic reforms would lead to democratic political reforms. He is not alone. 'We must develop the ability to express interests in order to be able to pinpoint conflicts, real or imagined' was how Istvan Huszar recently put it in an interview with *Hungarian Nation*, the political daily of the People's Front. Istvan Huszar is head of the central committee's Social Science Institute.

Coincidentally, on the day the central committee was making its decisions on further reform, Hungarian officials were entertaining the Soviet Union's Foreign Minister, Andrei Gromyko, who was visiting Budapest. No official announcement was made about his reaction to the reforms but it is likely that Moscow will still regard Hungary's economic experiment with some favour. Indeed politburo member Mikhail Gorbachov has recently been appointed to head a new commission to investigate Hungarian-style reforms in the Soviet economy.

It is not so clear, however, whether political reform will be equally welcome. Perhaps it was with this in mind that the Hungarian central committee's communique stressed that despite far-reaching reforms 'the determination of policy and the supervision of how it is carried out' are still to remain in the hands of the party.

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See Martin Myant's article on Yugoslavia in February's *Marxism Today*.

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