This dissertation has been 62-828
microfilmed exactly as received

ZSOLDOS, Laszlo, 1925-
THE ECONOMIC INTEGRATION OF HUNGARY
INTO THE SOVIET BLOC: FOREIGN TRADE
EXPERIENCE, 1950-1958.

The Ohio State University, Ph.D., 1961
Economics, general

University Microfilms, Inc., Ann Arbor, Michigan

THE ECONOMIC INTEGRATION OF HUNGARY

INTO THE SOVIET BLOC:

FOREIGN TRADE

EXPERIENCE,

1950-1958

DISSERTATION

Presented in Partial Fulfillment of the Requirements for
the Degree Doctor of Philosophy in the Graduate
School of The Ohio State University

By

Laszlo Zsoldos, A.B., M.A.

The Ohio State University
1961

Approved by

Adviser
Department of Economics

ACKNOWLEDGMENTS

For their valuable assistance, guidance and encouragement, I would like to express my thanks to Professors Clifford L. James, Mikhail V. Condoide, and Alva M. Tuttle of The Ohio State University. Specifically, I am indebted to Dr. Condoide for his constructive criticism which helped to clarify some basic concepts of this study, to Dr. Tuttle for his salient comments on the statistical part of the study, and to Dr. James who guided me toward more precise and concise use of the language, and whose stimulating comments were a constant source of encouragement. I also wish to thank Dr. Elemer Bako of the Library of Congress for having kindly given of his time to make Hungarian source materials available.

I am deeply grateful to Dr. George B. Barbour and his wife, Dorothy Dickinson Barbour, for their years-long personal interest in my work, for their assistance, and for their friendship. However, most of all I am indebted to my wife who put her own aspirations aside to aid me courageously and unselfishly in the completion of this project.

CONTENTS

	Page
LIST OF TABLES	v
LIST OF CHARTS	ix
LIST OF ABBREVIATIONS	x
CHAPTER	
I. INTRODUCTION	1
Observations on the Data	
Definitions and Concepts	
II. THE INSTITUTIONAL ASPECTS OF HUNGARIAN FOREIGN TRADE	15
State Trading and Domestic Planning	
Bilateralism and Multilateralism in Hungary's Foreign Trade	
Summary	
III. FOREIGN TRADE AND DOMESTIC ECONOMIC DEVELOPMENT . .	37
Changes in the Geographic Pattern of Merchandise Trade	
Changes in the Commodity Patterns of Trade	
Foreign Trade and the Domestic Economy	
Summary and Conclusions	
IV. THE STRUCTURE OF AVERAGE UNIT VALUES: TERMS OF TRADE	74
Data and Method	
Definitions	
Unit Value Comparisons	
Conclusions	
V. THE INFLUENCE OF DOMESTIC FACTORS ON UNIT VALUE AND COMMODITY PATTERNS OF TRADE	100
Planning and Domestic Resources	
Planning and the Efficiency of Investment	
Conclusions	

Chapter	Page
VI. THE INTERNATIONAL ECONOMY AND PLANNING FOR DOMESTIC GROWTH: THEORETICAL AND PRACTICAL CONSIDERATIONS	120
The "Economy Debate"	
Integration by Way of the Market	
Integration by Way of Plans and Agreements	
State Trading and Domestic Planning Reconsidered	
VII. CONCLUSIONS	134
APPENDIX I	142
APPENDIX II	171
BIBLIOGRAPHY	176
AUTOBIOGRAPHY	197

LIST OF TABLES

Table	Page
1. Value of Hungarian Exports and Imports by Trade Area, 1950-1959	32
2. Excess of Exports over Imports by Commodity Class and by Trade Area, 1950-1958	39
3. Value of Hungarian Imports by Country and by Trade Area, 1950-1959	41
4. Percentage Distribution of Imports by Country and by Trade Area, 1938 and 1950-1959	42
5. Value of Hungarian Exports by Country and by Trade Area, 1950-1959	45
6. Percentage Distribution of Exports by Country and by Trade Area, 1938 and 1950-1959	46
7. Changes in the Volume of Exports by Commodity Class and by Trade Area, 1950-1958	49
8. Percentage Distribution of Exports by Commodity Class and by Trade Area, 1950-1958	50
9. Percentage Distribution of Imports by Commodity Class and by Trade Area, 1950-1958	52
10. Hungarian Agricultural Output, Employment, Land Area, and Productivity per Acre by Sector, 1954-1958	56
11. Average Output per <u>Joch</u> of Selected Crops by Size of Farm and Type of Farm, 1931-1938 and 1950-1954	57
12. Official Indexes of National Income and of the Per Capita Real Income of the Population, 1950-1958	59

Table		Page
13.	Percentage Distribution of the Sources and the Uses of National Income in 1949 Prices, 1949-1958	60
14.	Percentage Share of Imports in the Total Amount of Selected Commodities Available for Domestic Use, 1950-1958	62
15.	Exports as a Percentage of Domestic Output of Selected Commodities, 1950-1958	64
16.	Hungarian Exports of Cotton Textile to the U.S.S.R., 1950-1958	65
17.	Comparisons Between the Percentage Distribution of Selected Exports and Imports in the Hungarian-U.S.S.R. Trade, 1950-1958	67
18.	Value of Hungarian Exports and Imports by Economic Sector, 1950-1958	73
19.	Ratios of Western Unit Values and Block Unit Values of Selected Exports, 1950-1958	89
20.	Ratios of Western Unit Values and Block Unit Values of Selected Imports, 1950-1958	90
21.	A Comparison of the Actual and a Hypothetical Value of Selected Exports and Imports in Hungary's Trade with the Bloc, 1950-1958	92
22.	A Comparison of the Actual Value with a Hypothetical Value of Total Exports and Imports, 1950-1958	95
23.	Value of Exports by Commodity Class and by Trade Area, 1950-1958	142
24.	Value of Imports by Commodity Class and by Trade Area, 1950-1958	143
25.	Excess of Exports over Imports by Trade Area and by Economic Sector, 1950-1958	144
26.	Changes in the Volume of Imports by Commodity Class and by Trade Area, 1950-1958	145

Table	Page
27. Physical Volume of Selected Exports, 1950-1958	146
28. Total Domestic Output of Selected Export Commodities, 1950-1958	147
29. Physical Volume of Selected Exports to the Soviet Bloc, 1950-1958	148
30. Physical Volume of Selected Exports to the West, 1950-1958	149
31. A Comparison of the Percentage Shares of the Bloc and of the West in Selected Hungarian Exports, 1950-1958	150
32. Physical Volume of Selected Imports, 1950-1958	151
33. Total Domestic Output of Selected Import Commodities, 1950-1958	152
34. The Sum of Imports and Domestic Output of Selected Commodities, 1950-1958	153
35. Physical Volume of Selected Imports from the Soviet Bloc, 1950-1958.	154
36. Physical Volume of Selected Imports from the West, 1950-1958	155
37. A Comparison of the Percentage Shares of the Bloc and of the West in Selected Hungarian Imports, 1950-1958	156
38. Unit Values of Selected Agricultural Exports by Trade Area, 1950-1958	157
39. Unit Values of Selected Raw Material Imports by Trade Area, 1950-1958	158
40. Commodities Selected for a Unit Value Index of Agricultural Exports by Trade Area, 1950-1958	159

Table		Page
41.	Commodities Selected for a Unit Value Index of Raw Material Imports by Trade Area, 1950-1958	160
42.	Value of Commodities Selected for a Unit Value Index of Agricultural Exports by Trade Area, 1950-1958	161
43.	Value of Commodities Selected for a Unit Value Index of Raw Material Imports by Trade Area, 1950-1958	162
44.	Weighted Aggregates of Selected Exports and Imports Used in Measuring Unit Value Changes, 1950-1958	163
45.	Export and Import Unit Value Indexes, 1950-1958	164
46.	Average Unit Values of Selected Exports by Country, 1950-1958	165
47.	Average Unit Values of Selected Imports by Country, 1950-1958	168

LIST OF CHARTS

Chart		Page
I.	Unit Value Indexes of Hungarian Imports of Raw Materials by Trade Area, 1950-1958	83
II.	Unit Value Indexes of Hungarian Exports of Agricultural and Related Products by Trade Area, 1950-1958	84
III.	Unit Value Indexes of Raw Material Imports and of Exports of Agricultural and Related Products in Hungary's Trade with the West, 1950-1958	87
IV.	Unit Value Indexes of Raw Material Imports and of Exports of Agricultural and Related Products in Hungary's Bloc Trade, 1950-1958	88

LIST OF ABBREVIATIONS

<u>BSZ</u>	<u>Belpolitikai Szemle</u> (Domestic Political Review)
<u>GF</u>	<u>Gazdasági Figyelő</u> (Economic Observer)
<u>KSZ</u>	<u>Közgazdasági Szemle</u> (Economic Review)
<u>KULKER</u>	<u>Külkereskedelem</u> (Foreign Commerce)
<u>P&SZ</u>	<u>Pénzügy és Számvitel</u> (Monetary and Fiscal Review)
<u>PSZ</u>	<u>Pénzügyi Szemle</u> (Monetary Review)
<u>SE 1949-1955</u>	<u>Statisztikai Évkönyv 1949-1955</u> (Statistical Yearbook 1949-1955)
<u>SE 1956</u>	<u>Statisztikai Évkönyv 1956</u> (Statistical Yearbook 1956)
<u>SE 1957</u>	<u>Statisztikai Évkönyv 1957</u> (Statistical Yearbook 1957)
<u>SE 1958</u>	<u>Statisztikai Évkönyv 1958</u> (Statistical Yearbook 1958)
<u>SSZ</u>	<u>Statisztikai Szemle</u> (Statistical Review)
<u>STATAJ</u>	<u>Statisztikai Tájékoztató</u> (Statistical Information Bulletin)

CHAPTER I

INTRODUCTION

This study has two interrelated objectives. One is to inquire into the meaning, the conditions, the present state and the future prospects of economic integration between Hungary and the Soviet economic bloc; the other, to investigate the relation between Hungary's foreign trade and its domestic development. The attainment of these objectives seems to require a common approach, that is, a description, analysis and evaluation of Hungarian trade policies and practices.

The choice of these objectives for investigation was motivated partly by the uncertainty surrounding economic integration in the Soviet Bloc in general, and Hungary's economic integration into the Soviet Bloc in particular. It was also motivated by a desire to test the occasional, and sometimes conflicting, claims made by various sources with regard to achieved integration, and the role of intra-Bloc trade in domestic development. The uncertainty surrounding the meaning of "economic integration," as applied to centrally controlled economies, is in itself of some interest. Chapter One will hence attempt to clarify some of the normative and practical considerations of the meaning of "economic integration."

The choice of the time period has been influenced by several factors. The period of 1950-1957 may be regarded as a rather stable

one on the international scene and also in the Hungarian economy. To be sure, the Korean War years introduced disturbances, but these were of relatively short duration and may be allowed for in an analysis of Hungarian economic developments. Essentially the same observation applies in connection with the Hungarian Revolution of 1956. Another reason for the choice of this period is the lack of previous analysis, particularly in the area of Hungarian foreign economic relations.¹

¹A notable exception to this generalization is the concise account of Hungarian foreign economic relations in Appendix "C" of Bela A. Balassa's The Hungarian Experience in Economic Planning ("Yale Studies in Economics," Vol. 11; New Haven: Yale University Press, 1959).

Lastly, the almost complete absence of usable data for the period 1945-1950 (because of considerable political and economic uncertainties) stifles serious attempts at research.

Observations on the Data

The data in this study are mainly those of the Hungarian authorities, although information from secondary and tertiary sources is also frequently used. However, its use is limited to those instances and those areas in which no other, primary information was available. Most of the Hungarian statistical information is issued by the Central Statistical Office of Hungary which is the official statistical arm of the Hungarian Government. In May, 1956, the Hungarian Cabinet ruled that the Central Statistical Office should

begin the publication and widespread distribution of statistical handbooks and eventually yearbooks.² The result of this ruling was that in addition to the voluminous statistical yearbooks for the period

²Júlia Zala, "Ten Years of Hungarian Statistics," SSZ, Vol. XXXVII, No. 1 (January 1959), p. 8.

1949-1955 and for the years 1956 and 1957, the C.S.O. regularly publishes its handbook, its Monthly Bulletin, the Review of Economic Statistics, and occasional statistical studies and surveys on various areas in the Hungarian economy. Thus, ample statistical information was made available by the Hungarian authorities.

With respect to reliability, accuracy, and clarity of the statistical data, there seems to be considerable disagreement among users of Eastern European information. There is a group of users who refuse to consider any Eastern European data as reliable, accurate, or clear. While there is an element of truth in this view, their attitude is probably exaggerated. However, complete rejection of data is not the most prevalent and representative judgment. To begin with, it is not possible to characterize the entire body of available statistical information in simple, definitive terms. According to recently expressed views by experts in this field, the problem of the data may be approached from two points of view. First, the value of the data is impaired by "the inherent limitations of the economists' tools of measurement."³ Second, in addition to this normal statistical problem, the data suffers to a considerable extent from the peculiar political,

³Hans Heymann, Jr., "Problems of the Soviet-United States Comparisons," Comparisons of the United States and Soviet Economies, Papers submitted by panelists appearing before the Subcommittee on Economic Statistics, Joint Economic Committee, Congress of the United States, 86th Cong., 1st Sess., 1959, Part I, p. 4.

psychological and social environment in which distortion and window-dressing of the data may flourish. It is the latter, rather than the former of these problems which is of immediate concern to every one engaged in the analysis of Communistic economies.

Regularly published figures of the C.S.O. cover a fairly broad spectrum ranging from geographic, demographic, economic information to health, education and miscellaneous international data. Some areas of data on Hungarian social, economic and cultural life, as reported by the C.S.O., are probably more reliable than others. However, one cannot pass judgment without commenting on the probable origins of the rather intense mistrust of these data by some Western observers. All Eastern European countries have been criticized at one time or another for obscure reporting in some areas and even for omission of important economic data, for neglecting to reveal the nature of the sources of the data, for loose definitions and for poor methods of collection. It has been assumed by some individuals that such Eastern European practices were rooted in some desire of planners and administrators to justify and exaggerate their achievements. Should this assumption be fully accepted, it would indicate the prevalence of an intricate system of reporting agencies and administrative organizations functioning not for the reporting of economic phenomena per se,

but for the distortion of economic data concerning expected performance and achievement.

Heyman and others certainly think that the above assumption cannot be fully accepted, nor can it be totally rejected. In the case of Hungary, while it is probably true that the planning board, the C.S.O. and other top-level organizations could have sufficient political power to order a systematic alteration of information originating at the primary reporting level, such practice would be an impractical, as well as undesirable approach to data falsification. It would be impractical, because it would involve the maintenance of a far-flung and expensive administrative organization; central reporting and control organizations could attain the same objective more efficiently, with less expense, and with a minimum danger from adverse publicity within their facilities now in existence. More importantly, such practices would be undesirable because they would be in conflict with essential planning and control functions of the top-level organizations.

If distortions occur (as they indeed do), they usually happen on the primary reporting levels where persons in charge of this phase of the statistical process (plant managers, supervisory personnel, and so on.) may wilfully alter primary information, motivated probably by a desire to avoid the unpleasant personal consequences of insufficient performance.

Borrowing output from succeeding periods, the inclusion of spoilage and substandard goods in reports of finished output and a devaluation of the product assortment used, all tend to

impair the numerical accuracy of the data reported to the ... authorities by their subordinates.⁴

⁴Ibid, p. 5.

On this very real prospect of data falsification by lesser bureaucrats there is very little one can say, except to point out again that the work of the planning board and other top-level organizations would be adversely affected by such practices. The dangers of built-in, avalanching inaccuracies in central management because of unreliable data cannot be underestimated. The radical revisions of China's output estimates of 1958 have been justified by the Chinese on the basis that their statisticians and men in charge of reporting had had no experience; over-estimation on a large scale was the result. Western observers noted that the Chinese Government may have been forced to take this step of drastic revision in fear of greater future distortions resulting from the use of unrealistically high figures against which planned and actual performances would be measured. Similar cases have occurred also in the Soviet Union. In the Hungarian literature time and again it has been pointed out that,

Planning is not possible without the collection of data, processing of data and without the projection of the effects of anticipated changes. Availability of suitable statistical and calculating equipment is a condition of rational preparation and execution of plans, in short, of economic planning.⁵

⁵István Varga, "Some Thoughts on the Improvement of Planning Methods in the National Economy," KSZ, Vol. V, No. 2 (February 1958), p. 151. The author is Professor and Consulting Member in the Hungarian Academy of Sciences. All quotations from Hungarian sources used in this paper have been translated by the author.

Finally, an investigation of the Hungarian data cannot bear out the assumption that a large-scale, successful manipulation of the data has been made. From the population figures published in the Statistical Handbook for 1958, it is possible to compute the number of persons who left the country after the Revolutionary Events of 1956, although nowhere among the multitude of population figures reported is there a direct statement regarding the number of refugees from Hungary. This figure corresponds to the Western estimates. Elsewhere in the Handbook it is reported that membership in the collective farm organizations decreased between 1955 and 1956 (the year of the Revolution) from 253,000 to 96,000, and by 1957 it rose again to 120,000.⁶

⁶Hungary, Central Statistical Office, Magyar Statisztikai Zsebkönyv 1958 (Budapest: Közgazdasági és Jogi Könyvkiadó, 1958), p. 120.

The story suggested by these figures seems to be clear. Since collectivization of farming is one of the important goals of planners, a rapid decrease in cooperative membership can mean only that events proceeded contrary to objectives. In a real sense, this means failure, which by virtue of the original assumption ought to have been covered up. This, however, was not the case.

There are several conclusions suggested by the discussion above. One is that distortion of statistical information is not to the

advantage of central control and planning organizations. Secondly, some distortion of initial statistical information is probably practiced at primary reporting levels. Thirdly, one may reasonably assume that top-level organizations attempt to put an end to such practices at primary reporting levels. And finally,

While there is much evidence of data distortion and even falsification..., there are also definite limits placed on such opportunities for misrepresenting and, by and large, it may be reasonable to assume that the relative magnitude of distortion from this source is not fatal.⁷

⁷Heymann, op.cit., p. 5.

Definitions and Concepts

The great majority of the terms, concepts, and working definitions used in the following chapters have been well established in the literature on Eastern European Communistic economies. On occasion the meaning of some of the terms will not coincide with that of the Western World, in such instances, however, the difference in the meanings will be clearly pointed out in the order as they occur. After the initial clarification, all these terms are used consistently throughout the paper. Most of these changes are not fundamental but operational.

The term "economic integration" is the only one which needs substantial clarification. This term has been used with increasing

frequency over the last few years in the literature on Eastern European Communistic economies. It was presumably intended to describe in some manner the relationship among the various Bloc countries as well as the relationship between the Bloc and the Soviet Union.

In the general sense the term integration means "the action or process of making up of a whole by adding together or combining the separate parts or elements," to use a dictionary definition. In an economic system the process of integration implies increasing interdependence among the parts of the system. In other words, economic integration appears to be a dynamic process which has its conclusion in a static state of "perfect" interdependence. It follows, therefore, that a well integrated economy is one in which economic interdependence, rather than self-sufficiency, of the economic units prevails. In the Western economic thought interdependence is merely a by-product of increasing factorial specialization which in its turn depends on the state of the arts, on the one hand, and on the magnitude and variety of economic opportunity created and provided by the market economy, on the other. However, the market is principally a control mechanism and it is only incidental to this function of the market that interdependence increases when the market rule becomes more dominant in a closed economy. In a market system under pure competition, perfect interdependence would prevail because all commodities produced would be traded.⁸

⁸Edward Ames, "Economic Integration in the European Soviet Bloc?" Papers and Proceedings of the Seventy-first Annual Meeting of the American Economic Association, American Economic Review, Vol. XLIX, No. 2 (May 1959), p. 113.

This is obviously a static state, there is no further "integration" required. Within the framework of the traditional Western analysis therefore, it is not relevant to speak about interdependence or integration separately from the operation of competitive markets. Once the structural conditions of markets are given, any elaboration on the "degree of interdependence" or even better, on the "degree of integration," would be meaningless and redundant in such analysis. Market analysis is a point of time, a static analysis, while integration is a dynamic process concept. It has been shown that the terms integration and interdependence are interchangeable in a process analysis but there seems to be no room for either of these terms in the value theory of classical Western economies.⁹

⁹For a precise mathematical statement of the meaning of integration in market economies, see Edward Ames, "Economic Integration in the European Soviet Bloc?" op. cit.

According to Professor Ames,

By standards of market economies, the Soviet bloc is not integrated. However, its members trade extensively, talk freely of coordinating their economic policies, and in general act as if there existed a form of mutual interdependence.¹⁰

¹⁰Ibid., p. 117.

Elsewhere he continues and says that,

This interdependence is not meaningful within the customary definitions of integration, for it is inconceivable in a market economy that there should be one set of international prices and another set of internal prices. There is no ready way of explaining how such a situation can exist within the ordinary analytical framework, and in the terminology of 'positive economics' we will be led to wrong predictions if we retain the customary model to help analyze the European Soviet bloc.¹¹

¹¹ Ibid., p. 123.

Thus, there are formidable obstacles in the path of measuring achieved integration.

There is possibly another set of problems connected with the use of the word integration to describe the presence or absence of some desired relationships between internationally trading economies. It has been pointed out that integration is meaningful only in a closed system where pure competition prevails. In such a case, in the extreme, we may talk about perfect, mutual interdependence. Mutuality implies equality among transactors, such as the equal inability of competitors to influence each other's decisions or the market price. If the structural conditions of competition are fulfilled, then mutual economic interdependence among producers will persist because of their inability to tamper with the market rule. The total absence of a competitive structure in the Soviet Bloc is well known, therefore it is not possible to use this concept of mutual interdependence

which is implied by the analysis of competitive markets in connection with the economics of the Soviet Bloc. This is, then, the second difficulty connected with the meaning of the term integration.

One of the important economic objectives in Hungary is the integration of the national economy into the economy of the Soviet Bloc. According to two Hungarian writers,

Integration is a technical term which was developed in bourgeois economics. Various authors speak about integrational processes of international scope. When we speak of integration, we mean all such attempts at coordination among countries which lead to the organization of management over a large area, necessitated by technological changes; secondly, to common accounting of our available resources and common utilization of same by giving mutual aid to one another; thirdly to cooperation in the development of the major production profiles; and lastly, to increased cooperation among participants for the increase of foreign trade without refusal, however, to deal with outsiders. It is evident on the basis of the above that this 'integration' means the harmonious, planned development of our economies. However, in order to avoid the lengthy description above and in the absence of a better term, we will hereafter talk in this sense about 'integration.'¹²

¹²József Bognár and Imre Vajda, "Problems of Economic Cooperation Between Socialist Countries," KSZ, Vol. V, No. 1 (January 1958), p. 34. The authors are respectively Chairman of the Department of Domestic Commerce and Chairman of the Department of Foreign Commerce in the Karl Marx University of Economic Sciences of Budapest, Hungary.

This collection of objectives fails to provide a measure of achieved integration. Given the "harmonious, planned development" of the Bloc

economies on the one hand, and the still existing institutional differences on the other, it can be safely conjectured that planning for economic integration must take the form of bilateral and/or multi-lateral agreements; furthermore, the ways through which these agreements are carried out is the machinery of intra-Bloc trade. The only alternative to the above approach would be to develop a uniform currency, adopt central Bloc planning and a trade administration on a Bloc-wide basis, but this is tantamount to abolishing the present institutional arrangements. As long as these conditions do not exist, the best approach to the problem of Hungary's economic integration with the Soviet Bloc appears to involve a description, analysis and evaluation of Hungarian trade policies as reflected in trade agreements, and of Hungarian trade practices and performances reflected in the Hungarian trade records.

For the purposes of this dissertation it will be assumed that perfect integration is achieved between Hungary and the Soviet Bloc when the following conditions have been fulfilled. One, that all of Hungary's exports are bought by Bloc countries and all of Hungary's imports originate in Bloc countries. Secondly, that except for differences in transportation costs, equal price treatment is accorded to all Bloc countries in Hungary's export prices, and conversely that Hungary can buy the same commodity in any or all of the Bloc countries at the same price. Thirdly, that the prices of Hungarian foreign trade items are not influenced by world market price movements and,

lastly, that in her dealings with Bloc countries and the Soviet Union, equal treatment is accorded to all, including Hungary.¹³

¹³These criteria, with some modifications, are based on the study by Edward Ames, "Economic Integration in the European Soviet Bloc?" op. cit.

CHAPTER II

THE INSTITUTIONAL ASPECTS OF HUNGARIAN

FOREIGN TRADE

Introduction

Foreign trade in Hungary occupies an important position in the economic plans, as well as in the performance of the national economy. The volume of foreign trade (exports plus imports) as a percentage of national income increased steadily between 1950 and 1955, except for the year 1951. It rose from 25.8 per cent in 1950 to 41.0 per cent in 1955. Furthermore, while national income had risen 50 per cent between 1949 and 1954, for the same period the combined volumes of export and import had risen more than 100 per cent.¹ These figures readily explain the great interest of Hungarian planners in the

¹Tibor Kiss, "Main Correlations Between National Income and Foreign Trade in Hungary," KSZ, Vol. IV, No. 6 (June 1957), p. 645. The author is an official in the National Planning Office (Országos Tervhivatal munkatársa).

developments of foreign trade. The very rapid rise in the volume of foreign trade has created through time new problems for Hungarian planners. In keeping with the economic policies of centrally planned economies, Hungary, too, has undertaken to carry out an over-ambitious program of industrialization. The role of foreign trade in such a

program is simple. The magnitude and structure of imports is determined by the requirements of domestic plans, and exports are necessary only to the extent that they have to pay for imports. Thus, while imports usually have reflected the rationale of domestic developmental programs, the exportation of commodities has been often very haphazardly organized. The only criterion for the volume and composition of exports has been whether or not they pay for imports regardless of price.² As a result, Hungary's payments position has deteriorated

²This is a rather commonly held view, inter alia by Condoide, Spulber, Allen and Mikesell.

rapidly toward 1954, and foreign trade organs found it increasingly difficult to sell domestic output in world markets, or for that matter, in Bloc markets; thus Hungarian authorities were soon hard pressed to find the causes of these difficulties, lest the situation would deteriorate even further. Some thought that the sources of difficulties are to be found in the structure, in the specific plans, and in the pricing policies and practices of the foreign trade organizations.³ Others held that lack of coordination between the policies

³See particularly József Bognár, "Problems of Our Foreign Trade," KSZ, Vol. IV, No. 8-9 (August-September 1957), p. 835. Also, Péter Erdős, "Some Theoretical Problems of Planned Economy," KSZ, Vol. III, No. 6 (June 1956), p. 676. Erdős is a staff member in the Institute of Economic Sciences, Budapest.

of domestic planning organizations and those of foreign trade organs were to be blamed.

According to the latter view "foreign trade must play an increasing role in the construction of the plans and it must help the plans by laying foundations for market possibilities,"⁴ because it is in this sector "that national economic problems come to focus."⁵

⁴Gyula Karády, "New Trends in Our Foreign Trade," KSZ, Vol. VI, No. 11 (November 1959), p. 1144.

⁵József Bognár, "Problems of Our Foreign Trade," op.cit., p. 837.

In this chapter the two views stated above will be further elaborated and analyzed. It will be, therefore, necessary to describe the structure, the plans, the policies, and the practices of Hungarian foreign trade enterprises.

State Trading and Domestic Planning

As of December, 1955, Hungary had twenty-four state trading enterprises.⁶ These enterprises are the sole executors of the foreign

⁶Raymond F. Mikesell and Donald A. Wells, "State Trading in the Sino-Soviet Bloc," Law and Contemporary Problems, Vol. XXIV, No. 3, Part II (Summer 1959), p. 436.

trade plan which is a part of the national economic plan. All purchases and sales are conducted by them on behalf of the domestic enterprises classified according to major industry. There is no meaningful autonomy vested in these foreign trade enterprises; their functions are limited partly by the foreign trade plans and partly by a system of bilateral trade and financial agreements. The foreign

trade operations are subject to routine supervision by the Ministry of Foreign Trade, by the Hungarian National Bank and by the National Planning Office. Any changes in the plans, in price policy, in the extension or termination of bilateral agreements and in the structure of foreign trade organizations, is a matter for joint consideration by the Supreme Economic Council, the National Planning Board and the appropriate ministries of the Cabinet. In these matters the foreign trade enterprises have only limited, advisory capacity. The cashier for the foreign trade enterprises (as well as for the entire socialist domestic sector) is the Hungarian National Bank; thus all foreign exchange transactions are carried out by and through the facilities of the Bank.

Beginning in 1955 experimental changes have been suggested and eventually carried out in the foreign trade sector. Some of these changes were directed toward the structure of foreign trade enterprises, others were designed to bring the domestic plans in closer harmony with the plans of foreign trade enterprises, again, others called for liberalization of pricing policies and practices in foreign trade enterprises. All of the suggested and actual changes were intended to improve Hungary's balance of payments position partly by increasing the number of foreign trade enterprises, thus decentralizing purchasing and selling practices, and, partly, by generally broadening the functions of the foreign trade sector. In the summer of 1956 three important domestic enterprises were granted licenses to operate in the field of foreign trade. An additional six received

licenses early in 1957 for the same purpose. It is interesting to note that almost all of the firms have "traditions" in the field of exporting and importing, going back to the period before World War II.⁷

⁷The nine enterprises are:

1. Beloiannis Communications Equipment Company (BUDAVOX),
2. Roentgen and Medical Instruments Company (MADICOR),
3. Motorcycle, Bicycle, Sewingmachine Company of Csepel (PANNONIA),
4. Ganz Railroad Rolling Equipment and Machine Works,
5. Wilhelm Pieck Railroad Equipment and Machine Works,
6. Ganz, Electric Meter Division,
7. United Lightbulb and Electric Company,
8. MAVAG Locomotive and Machine Works,
9. Gabor Aron Foundry and Machine Works.

Quoted from Károly Szigethy, "From the Experiences of the Direct Export Activities of Production Enterprises," KSZ, Vol. V, No. 5 (May 1958), p. 534.

However, the license of these new foreign trade enterprises limited them only to the marketing of their own products. They could make no binding contracts without the approval of the appropriate authorities. Nor were these firms authorized to obtain their own imports in case their operation required the use of foreign raw materials and supplies. The possibility of giving them import authority has been considered but until now the question has remained undecided.

Simultaneously with these developments in the operations of foreign trade enterprises, a mild reappraisal of the role of foreign trade decisions in domestic planning has taken place. Talking about the successes and failures of economic planning in general, one of the Hungarian writers observed that,

Contradictions of centralization are increasingly felt in our economic life. The present day system of state management of the economy, while it does have enormous advantages, leads to increasingly intolerable bureaucracy, impeding the development of local initiative. While in the last analysis the successes of this system won the admiration of the capitalist world, still it is increasingly felt that they were attained with too much sacrifice, too expensively and with energy-absorbing friction.⁸

⁸ Péter Erdős, "Some Theoretical Problems of Planned Economy," op. cit., p. 677.

More specifically, it has been suggested that the lack of flexibility in the plans discourages independent decisions by managers of foreign trade enterprises, the more so because, in the past, deviations from planned volumes have inevitably resulted in reprisals. In connection with the inflexibility of foreign trade plans, one of the solutions offered was to increase the participation of foreign trade authorities in the formulation of domestic investment plans on the grounds that there is "generally a close relation between investments and exports and imports."⁹ This suggestion was already tested in 1958

⁹ Gyula Karády, "New Trends in Our Foreign Trade," op. cit., p. 1144.

but did not work out as expected because the participation of the foreign trade organs was not "sufficiently determined and lacked initiative."¹⁰ Not only was their participation insufficient from

¹⁰Ibid.

the planners' point of view but time and again foreign trade plans were not fulfilled. The failures of the foreign trade sector to realize planned objectives and to advise planners objectively on the foreign economic aspects of domestic investment plans was attributed to a number of factors. Among the most important factors were a lack of incentive and bureaucratic attitudes. Péter Erdős notes that,

Socialism is a great force...and most men prefer to be useful rather than destructive. But all of experience shows that we cannot succeed without direct incentives, that devotion is not enough by itself, and that massive effort [will be expended] only in return for the appropriate moral, but more importantly, financial acknowledgement.¹¹

¹¹Péter Erdős, "Some Theoretical Problems of Planned Economy," op. cit., p. 691.

One of the principal manifestations of bureaucratic ways shows up as fondness for detail of the plans already in operation.

..., at present, an overwhelming share of our planning work concerns the already operating enterprises, while the planning and control of investments is pushed aside. The exact opposite ought to prevail.¹²

¹²György Péter, "Significance of Economy and Profitability in Planned Economy," KSZ, Vol. III, No. 6 (June 1956), p. 709. The author is Chairman, Central Statistical Office, and Chairman, Department of Statistics, Karl Marx University of Economic Sciences, Budapest.

Numerous suggestions have been given to eliminate excessive bureaucracy rampant in state trading organizations. The essence of the majority suggestions is well expressed by György Péter who claims,

If we succeeded in tying profitability to material [financial] and moral interests of managers, so that they would want to produce more and cheaper goods of quality, so that they would strive to attain this by way of their own ideas and own initiative...this would be more valuable than detailed commands and a multitude of directives...¹³

¹³Ibid., p. 709.

The last of the problems concerns the difficulty of reconciling prices used in foreign trade transactions with the prices used in the domestic economy. Domestic prices are generally planned to encourage the use of some goods and discourage the use of others and thereby to further the realization of the domestic plan. This system of planned prices is created with very little regard for factorial costs, for prices in other Bloc countries, and for world market prices. The arbitrariness of the domestic price structure comes into focus in the accounting practices of the foreign trade sector. Foreign trade enterprises buy export goods from domestic producers at domestic plan prices. The value of these transactions is duly noted in one set of accounts. When the goods are actually exported, the foreign exchange proceeds are stated in the merchandise account in terms of the official rate of exchange. Since some export prices are lower than

the corresponding domestic prices, the foreign trade sector "loses" on these transactions. This deficit, which is in essence a subsidy to the domestic producer, is covered from the state budget. Similar "losses" can be incurred by the foreign trade sector on import transactions, that is, whenever planners set the domestic price of certain imports below the price paid by the foreign trade sector for the same import in terms of the official rate of exchange.

In this system of dual accounts not only it is difficult to evaluate the effectiveness of the foreign trade sector, but it is well-nigh impossible to judge any shift in the terms of trade. Time and again one can find comments made in the Hungarian literature on the incompatibility of domestic prices and world prices, and on the problems which this creates in domestic planning.

If we set an objective, that in 1960 we shall import x tons of copper, we cannot know today what its cost will be then, i.e., what will exports have to be to pay for this (the more so, since we do not know future export prices); furthermore, if we designate in the plan that in 1960 we must obtain y million in foreign exchange by selling agricultural commodities to the capitalist countries, we would still not know how much of what to export, because of the uncertainties of world prices, of export demand, and of changes in economic policies years hence. All these, at the same time, influence our domestic distribution, thus their effect ripples through the planned economic balances. The same uncertainty would be created by a policy prescribing that in 1960 we must import copper worth x in foreign exchange (because we cannot be sure how many tons of goods are required to obtain it), or conversely,

that we will have to export y tons of grain or z quantities of cattle (because we cannot know how large will the foreign exchange proceeds of these exports be).¹⁴

¹⁴István Varga, "Some Thoughts on the Improvement of Planning Methods in the National Economy," op. cit., p. 152.

The meaning of this is that the domestic price structure bears no relation to the price structure of non-planned economies or, for that matter, to the price structure of other planned economies. It is aptly noted by István Tatár that "in the final analysis...foreign trade organs appear to be groping in the dark in their calculations."¹⁵

¹⁵István Tatár, "Timely Problems of Our Foreign Trade," KSZ, Vol. IV, No. 2 (February 1957), p. 200. The author is a Department Head in the Ministry of Foreign Commerce.

Bilateralism and Multilateralism in Hungary's Foreign Trade

By the very nature of state trading, all of Hungary's trade is agreement trade. Bilateral agreements with non-Bloc countries usually run for one year, or if longer, then the agreement is tacitly or explicitly renewed for another year. The bilateral contracts usually contain a trade agreement and a payment agreement. The trade agreement consists of commodity lists which may contain quotas for the items on the list, in general, the agreement clarifies the commercial obligations of the parties to the agreement. The payment agreement contains swing credit provisions, it specifies the clearing

currency and makes provisions for the settlement of the final clearing balance. In the majority of cases the clearing balance is settled in transferable currencies.¹⁶

¹⁶For a detailed account, see Raymond F. Mikesell and Jack N. Behrman, Financing Free World Trade with the Sino-Soviet Bloc ("Princeton Studies in International Finance," No. 8; Cambridge: International Finance Section, Department of Economics and Sociology, Princeton University, 1958).

The Bloc-wide volume of trade, too, is determined by bilateral agreements, and clearing is similarly handled on bilateral account, but in clearing rubles.¹⁷ The clearing ruble is the unit of account

¹⁷Most of the following information concerning clearing ruble prices and pricing principles is based on an article by Béla Csikós-Nagy, "The Problems of Price Formation in Socialist World Markets," KSZ, Vol. VI, No. 12 (December 1959), pp. 1297-1298. The author is Chairman of the National Price Board in Hungary.

and settlement in the Bloc trade, all prices are quoted in rubles and all claims are recorded in rubles. Clearing ruble prices are "specifically constructed for use in foreign trade"¹⁸ and are independent

¹⁸Ibid., p. 1297.

of the Soviet domestic prices. This arrangement is thought to give the U.S.S.R. a free hand in regulating her domestic prices without exerting at the same time an unwarranted influence on prices used in the intra-Bloc trade. The intra-Bloc agreements run for a period of no less than one year, but for the most important part of the intra-Bloc trade the length of the agreements coincide with the length of

the domestic plans. The core of the agreements consists of what is called "mandatory deliveries," containing all those commodities which are regarded by the parties to the agreement as absolutely essential toward the fulfillment of their respective domestic plans.¹⁹

¹⁹The quotation marks are supplied to "mandatory deliveries," because of the obvious contradiction in the wording of the verbatim translation of the term as used in the Hungarian, *i.e.*, "mandatory contingencies." The term "contingency" has come to mean "delivery" through long, but initially incorrect commercial usage in Hungary.

Agreements may be terminated by giving of a notice of ninety days of cancellation. All clearing balances arising out of bilateral transactions within the Bloc are not transferable and are settled by additional deliveries; thus the only element which has relevance is "that identical principles should be applied at the time of the determination of export and import prices in clearing rubles."²⁰

²⁰Béla Csikós-Nagy, "The Problems of Price Formation in Socialist World Markets," *op. cit.*, p. 1297.

The principles of pricing for intra-Bloc trade underwent substantial changes in the last fifteen years. From the end of World War II until 1950 prices in the Bloc trade presumably followed the prices prevailing in the world markets. In 1950 Bloc countries had to abandon their earlier pricing practices under the alleged impact of discriminating pricing and tariff practices of several non-Bloc countries. In that year, an agreement was drawn up among Bloc

countries to freeze all those prices prevailing in their bilateral agreements of 1949-1950. This second period lasted until 1957 when the participating countries in the Council for Economic Mutual Assistance (hereafter referred to as C.E.M.A.) revised the system of frozen prices and set up the following five-point pricing program.

1. Bloc prices continue to be fixed prices on all commodities traded for the duration of one year, except for seasonally traded items such as fruits and vegetables, the prices of which are subject to revision more than once within the course of one year, if needed.

2. Bloc prices, particularly those of raw materials are to be adjusted annually to the average of world prices effective during the preceding year in world markets.

3. Prices prevailing in the most important world market centers are to be regarded as world market prices. In case a commodity is traded in more than one of the world market centers, the price (or prices) prevailing in the nearest of these markets to the Bloc country concerned, will be considered as relevant.²¹ The

²¹This interpretation of "world market prices" is presumably new. In referring to this problem, Spulber stated that "we do not know where these international prices actually prevail ..." and again elsewhere that "we do not know ... whether these prices are prevailing in New York, London, Paris, or Bombay, ..." See Nicolas Spulber, "Discussion on the paper by Edward Ames, 'Economic Integration in the European Soviet Bloc?'," American Economic Review, Vol. XLIX, No. 2 (May 1959), p. 127. Also, Nicolas Spulber, "The Soviet-Bloc Foreign Trade System" Law and Contemporary Problems, Vol. XXIV, No. 3 (Summer 1959), p. 427.

financial interests of the seller country in the Bloc are not to be overlooked, although the primary consideration goes to the buyer country allowing the latter to state the price and other relevant terms at which it could have obtained the commodity under consideration, had the purchase been made on the Capitalist world markets.

4. Once a price has been contracted by the rules described in points 1, 2, and 3, transportation cost advantages or disadvantages, arising because of the differences in the location of the world market center vis-a-vis the location of the Bloc buyer and seller, are evenly split between them.

5. At the time of the conclusion of contracts, all prices become fixed, as set forth in agreement.

Thus it appears that, at least in principle, the great majority of clearing ruble prices in the Bloc market are related to non-Bloc world market prices, "because all prices on the Capitalist world markets expressed in convertible currencies are converted by way of the ruble's gold par of exchange."²² While the principles of

²²Béla Csikós-Nagy, "The Problems of Price Formation in Socialist World Markets," op. cit., p. 1297.

pricing, presumably in effect since 1957, represent an improvement over the principles and practices of the period between 1950 and 1957, nevertheless the disadvantages of fixed prices persisting for a period of a year have not been eliminated at all.

The use of the above formula is often modified by the application of the most-favored-nation principle. However, one can expect that the Bloc interpretation of the principle does not coincide with the Western interpretation of the most-favored-nation concept.²³

²³Mikesell and Wells point out that,

"Most favored nation or commercial consideration clauses have no significance for countries whose trade is organized on the basis of bilateral trade negotiations, bilaterally negotiated prices, and of financing through clearing accounts. Such practices are the very antithesis of the principle of non-discrimination in trade."

Raymond F. Mikesell and Donald A. Wells, "State Trading in the Sino-Soviet Bloc," op. cit., p. 451.

The Socialist countries

interpreted in the broadest possible manner the most-favored-nation treatment, in principle, even when [the application] was not possible in practice. In spite of this...the application of world market prices was born originally out of a conception which held as inadmissible the practice of asking higher [than world market] prices from friendly countries.²⁴

²⁴József Bognár and Imre Vajda, "Problems of Economic Cooperation Between Socialist Countries," op. cit., p. 49.

Furthermore, the purpose of the C.E.M.A. often seemed to have been defeated by either a deviation from the agreed upon principles of pricing, or by taking advantage of the disparities between world market prices and fixed Bloc prices. The avowed purpose of the C.E.M.A. is to organize economic cooperation among the Bloc countries and the U.S.S.R.²⁵ As all internationally trading countries, Bloc

²⁵Ibid., p. 43.

countries, too, are in a position to buy some commodities either in the Bloc market or in the non-Bloc market. The separation of the Bloc market prices from the world market prices results in a strange situation which still persists. Whenever world market prices rise above the fixed Bloc market prices, it is advantageous to Bloc sellers to sell to world markets, and to sell in Bloc markets when prices fall in the world market below the fixed prices of the Bloc markets. This practice has injected a sharp note of conflict in the mutual interest of the Bloc countries. Whenever it appeared to be in the interest of the Bloc buyer to buy in Bloc markets, the Bloc seller, for the same reason, found it advantageous to sell on the world markets rather than to a Bloc partner.

It was advantageous for a Socialist country to sell in Socialist markets only, when the other Socialist countries were interested in buying on Capitalist world markets.²⁶

²⁶Béla Csikós-Nagy, "The Problems of Price Formation in Socialist World Markets," op. cit., p. 1308.

A more thorough analysis of the current account of the Hungarian balance of payments for ten years has uncovered additional peculiarities²⁷ (Table 1). Except for the year 1957 (the year after the Revolution) and for a ten million Dft. import surplus in 1952, the current account shows that Hungary closed every year with an

²⁷ In Hungarian reports the "current account" and "merchandise account" are interchangeable because service transactions (transportation, tourism, interest and dividends) are not reported. There is no explicit reference made anywhere in the record to transfer payments and capital movements, either.

export surplus during this period. Thus the continuous export balances on current account might be regarded as an improvement in the payments position of Hungary. In other words, it could mean the successful reduction of some past debt, and also the healthy accumulation of foreign exchange reserves during this period, or at any rate, up to the end of 1956. However, by breaking down this global figure into three more meaningful components, that is (1) the share of the Soviet Bloc, (2) the share of the West and (3) the share of other nations in Hungary's foreign trade transactions, the picture becomes substantially different (Table 1). Ignoring for the time being the component "all other", it is at once clear that with the exception of 1952, Hungary consistently ran a net export balance in the Bloc trade until 1957, while for the same period, with the exception of 1956, she ran substantial net import balances in her trade with the West. The net export balances with the Bloc, together with the consistent net exports of the third group were always sufficient to offset Hungary's net import from the West, in the accounting sense, anyway. Actually, these three sets of balances cannot be meaningfully offset against each other. Earlier in

TABLE 1

VALUE OF HUNGARIAN EXPORTS AND IMPORTS BY TRADE AREA, 1950-1959
(MILLIONS OF DFT.^a)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^b
THE SOVIET BLOC ^c										
Export	2,495.5	3,135.8	3,736.4	4,575.1	4,459.2	4,618.7	3,446.1	3,560.2	5,195.9	5,768.9
Import	2,099.0	3,047.1	3,769.5	4,050.1	4,086.1	3,415.5	3,348.8	5,690.9	5,067.1	6,446.2
Balance	+ 396.5	+ 88.7	- 31.1	+ 525.0	+ 373.1	+ 1,203.2	+ 97.3	- 2,130.7	+ 128.8	- 677.3
THE WEST ^c										
Export	1,138.0	1,246.0	1,157.4	976.8	1,262.7	1,857.0	1,791.6	1,732.5	2,269.8	2,494.0
Import	1,478.5	1,417.7	1,333.5	1,341.0	1,733.5	2,450.9	1,717.2	1,958.5	1,946.8	2,333.9
Balance	- 340.5	- 171.7	- 176.1	- 364.2	- 470.8	- 593.9	+ 74.4	- 226.0	+ 323.0	+ 160.1
OTHER										
Export	223.5	264.0	304.0	352.3	441.7	672.2	571.3	435.6	513.9	731.5
Import	128.9	160.8	104.8	140.0	199.3	407.6	406.6	361.9	378.1	489.3
Balance	+ 94.6	+ 103.2	+ 199.2	+ 212.3	+ 242.4	+ 264.6	+ 164.7	+ 73.7	+ 135.8	+ 242.2
TOTAL EXPORTS	3,857.0	4,645.8	5,197.8	5,904.2	6,163.6	7,147.9	5,809.0	5,728.3	7,979.6	8,994.4
TOTAL IMPORTS	3,706.4	4,625.6	5,207.8	5,531.1	6,018.9	6,274.0	5,472.6	8,011.3	7,392.0	9,269.4
BALANCE	+ 150.6	+ 20.2	- 10.0	+ 373.1	+ 144.7	+ 873.9	+ 339.4	- 2,283.0	+ 587.6	- 275.0

^aDft., or deviza forint (foreign exchange forint) is the unit of account of the Hungarian foreign trade sector. It is the forint measure of foreign exchange claims and obligations in terms of the official rate of exchange. The rate of exchange is set by the Hungarian National Bank.

^bPreliminary. The figures for 1959 represent the sum of monthly figures.

^cThe Soviet Bloc consists of Bulgaria, China (Mainland), Czechoslovakia, East Germany, Poland, Roumania, and the U.S.S.R. The West consists of Argentina, Austria, Belgium and Luxemburg, France, Italy, the Netherlands, Sweden, Switzerland, Turkey, the United Arab Republic, United Kingdom, West Germany, and Yugoslavia.

Source: Hungary, Central Statistical Office, Statiztikai Havi Kozlemenyek (1959 December Havi Adatok), 1960, No. 2, pp. 50-52.

this chapter²⁸ it has already been pointed out that bilateral clearing

²⁸See p. 26.

balances arising within the Bloc are not transferable among Bloc trading partners. It is even harder, if not totally impossible, to use such balances in settlements between the Bloc and the West.

Mikesell and Wells point out

...a balance with a Bloc country is not likely to be equated with a balance in a Western currency...During E.C.E. operations covering the period from June 1957 to September 1957, there were no circuits compensated in which an E.P.U. country cancelled a claim on another E.P.U. country in exchange for a cancellation of a debit balance with a Bloc country. Similarly, a Bloc country could not ordinarily be interested in losing a credit balance against an E.P.U. country in settlement of a debt which it owed to another Bloc country.²⁹

²⁹Raymond F. Mikesell and Donald A. Wells, "State Trading in the Sino-Soviet Bloc," op. cit., p. 448.

It is evident, therefore, that while on the surface the aggregate current account balances imply some improvement in Hungary's payments position, it is still possible at the same time to talk about deterioration in the Hungarian balance of payments. This is so, because of the inconvertibility of Hungary's Bloc balances, together with the fact that most of her net import balances with the West were in convertible currencies.

As a result, Hungary's borrowings from the West were steadily on the increase until 1956. To make matters worse, Western

countries were reluctant to extend credit for a term over one year. Interest on these Western credits plus other costs have amounted to some 6-10 per cent per annum.³⁰

³⁰ László Kővári and György Lázár, "New Facts in Soviet-Hungarian Economic Relations," KSZ, Vol. IV, No. 6 (June 1957), p. 600. The authors are Division Directors in the National Planning Office.

By the time of the Hungarian Revolution in 1956, Hungary's position was rather difficult in international trade negotiations, "including ... trade negotiations with friendly countries."³¹ The

³¹ István Tatar, "Timely Problems of Our Foreign Trade," op. cit., p. 196.

effects of the Revolution stand out clearly in the trade figures for 1957. In addition to the physical damage caused by the Revolution, the country was slow to return to more normal levels of economic activity. The current account balance with the Bloc changed into a soaring 2,130 million Dft import balance which was almost as great as the total Hungarian exports to the Bloc in 1950. Better than one third of all imports from the Bloc this year (1957) originated in the Soviet Union, representing a 50 per cent increase over the Soviet's normal share in Hungarian imports in previous years. More than one half of the imports from the Soviet represented a long-term loan of 635 million rubles. In addition to this the Soviet Union was obliged to extend an additional long-term loan to Hungary for the amount of 60 million U.S. dollars, which was subsequently used

to satisfy part of the Western claims on Hungary. This loan was negotiated at 2 per cent for a ten year period with repayment scheduled to start in 1961.³² Indicative of the probable magnitude

³²László Kövári and György Lázár, "New Facts in Soviet-Hungarian Economic Relations," op. cit., p. 600.

of the Hungarian debt to the Soviet Union is the fact that at the negotiations, in the course of which the aforementioned loans were extended in 1957, the Soviets cancelled one billion rubles from a debt contracted by Hungary earlier. This debt originated at the time the U.S.S.R. turned over its share in the Soviet-Hungarian mixed companies. In October 1952 the ownership of sixty-nine Soviet firms in Hungary passed into Hungarian hands. On a previous occasion, the Soviet had already reduced the "selling price" of its share in these companies to Hungary by one billion rubles; this, together with the second one-billion credit granted in 1957 amounted to 55 per cent of the total purchase price of the Soviet share.³³ Thus, it appears

³³Ibid.

that the Soviet Union originally valued its share in the Hungarian mixed companies in the vicinity of 3.6 billion rubles, that is, at 900 million dollars at the official rate of exchange at that time. Except for such fragmentary evidence it is not possible to estimate or even to approximate the extent to which Hungary has been tied to the Soviet Union through long-term loans. It might be well to note

that these agreements represented net additions to the earlier, heavy reparation obligations of Hungary.

Hungary's payment position vis-a-vis the West has improved somewhat in 1958 and 1959. "The magnitude and composition can be regarded as normal,"³⁴ partly because of the comparatively high

³⁴Gyula Karády, "New Trends in Our Foreign Trade," op. cit., p. 1142.

export balances with the West in 1958 and 1959.

Summary

Hungary's payments position vis-a-vis the West appears to have been deteriorating from 1950 on, until the end of 1957, and it turned abruptly adverse in her Bloc trade in 1957 as a consequence of the abortive Revolution. In order to remedy this situation, suggestions were made, and some put into effect, to improve the operation of the foreign trade monopolies by structural changes, by changes in the pricing policy, by better coordination between domestic planning and state trading policies and practices, and by an attempt to improve conditions, in general, through increasing the incentives and interest of the foreign trade personnel and managers. A brief analysis of the structure of and the changes in the current account of the balance of payments indicates the nature and extent to which Hungary's payments position has changed in the past ten years. In the next chapter changes in the commodity export and import trade will be described and analyzed.

CHAPTER III

FOREIGN TRADE AND DOMESTIC ECONOMIC

DEVELOPMENT

It was pointed out in the previous chapter that the value of foreign trade increased faster than national income between 1950 and 1959. The rapid growth in the volume of trade is but one of the indicators of Hungary's increasing reliance on international markets. A much better insight of Hungary's dependence on international trade may be gained from a detailed analysis of imports and exports. Therefore, this chapter will be devoted to the presentation and evaluation of changes in the geographic and commodity patterns of trade. Also an attempt will be made to show the interrelation between these changes and some of the developments in domestic economy.

Changes in the Geographic Pattern of

Merchandise Trade

The volume of imports and exports increased almost threefold between 1950 and 1959. This rapid rise was distributed unevenly among the intervening years, among major trade areas, and among countries within the trade areas. Up to the year of the revolution of 1956, there was a reasonably balanced growth in the volume of imports and exports. The years 1956 and 1957 show substantial

changes in the volume of export and import trade, associated with the disorganized pattern of domestic economic activity following the revolution. Total exports as well as total imports declined sharply in 1956 as compared with the previous year. Exports continued to fall in 1957, while imports took a sharp rise resulting in a very large deficit on merchandise account. Then, imports declined somewhat in 1958, but in 1959 they reached a level which was higher by some Dft. 1.2 billion than the previous peak of 1957. Exports, on the other hand, having reached in 1957 their lowest level in five years gradually recovered through 1958 and 1959. However, in spite of these advances from 1958 on, exports were not sufficient to cover imports in 1959; the year ended with Dft. 275 million deficit in the Hungarian merchandise account (Tables 3 and 5).

Indicative of the difference between the period 1950-1955 and the period 1956-1959 is the fact that while for the first period of six years the merchandise balance averaged Dft. 259 million net credit annually (Table 2), the average for the second period of four years was Dft. 408 million net debit. For the decade, the average annual balance amounted to about Dft. 8 million net debit.

Two tentative conclusions seem to be suggested by the above information. First, that foreign trade has tended to become an increasingly important area of the Hungarian economy. Second, that the revolution was probably the greatest single disturbance in the Hungarian economy during the ten year period. There is nothing in these totals which would indicate whether or not changes in

TABLE 2

EXCESS OF EXPORTS (+) OVER IMPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958
(MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY ^a	+ 98.3	+ 102.2	+ 222.2	+1,034.4	+1,152.3	+1,389.3	+1,047.6	+1,240.9	+1,627.6
Bloc	+ 468.4	+ 313.7	+ 374.7	+1,104.4	+1,172.2	+1,306.3	n.a.	n.a.	n.a.
West	- 370.1	- 211.5	- 152.5	- 61.0	- 19.9	+ 83.0	n.a.	n.a.	n.a.
II RAW MATERIALS	-1,960.4	-2,332.7	-2,638.4	-2,568.4	-2,848.6	-2,532.0	-2,552.3	-4,218.8	-3,308.6
Bloc	-1,101.6	-1,485.5	-1,853.8	-1,812.2	-1,975.6	-1,428.6	n.a.	n.a.	n.a.
West	- 858.8	- 847.2	- 784.6	- 756.2	- 873.0	-1,103.4	n.a.	n.a.	n.a.
III FOOD, LIVESTOCK, AND AGRICULTURAL RAW MATERIALS	+1,380.7	+1,261.2	+1,444.5	+ 803.9	+ 954.2	+1,077.9	+1,105.2	+ 421.8	+1,199.8
Bloc	+ 679.2	+ 613.7	+ 871.8	+ 577.2	+ 750.6	+ 966.4	n.a.	n.a.	n.a.
West	+ 701.5	+ 647.5	+ 572.7	+ 226.7	+ 203.6	+ 111.5	n.a.	n.a.	n.a.
IV CONSUMER GOODS, OTHER THAN FOOD	+ 632.0	+ 989.5	+ 961.7	+1,094.2	+ 886.8	+ 938.7	+ 735.9	+ 273.1	+1,098.9
Bloc	+ 399.6	+ 700.3	+ 652.3	+ 725.4	+ 496.7	+ 464.6	n.a.	n.a.	n.a.
West	+ 232.4	+ 289.2	+ 309.4	+ 368.8	+ 390.1	+ 474.1	n.a.	n.a.	n.a.
TOTAL TRADE	+ 150.6	+ 20.2	- 10.0	+ 373.1	+ 144.7	+ 873.9	+ 336.4	-2,283.0	+ 617.7
Bloc	+ 445.6	+ 142.2	+ 45.0	+ 594.8	+ 443.9	+1,308.7	n.a.	n.a.	n.a.
West	- 295.0	- 122.0	- 55.0	- 221.7	- 299.2	- 434.8	n.a.	n.a.	n.a.

^aThe classification is a C.E.M.A. standard. The complete description of the commodity classes reads as follows: (I) Machinery, industrial installations, industrial instruments, and parts; (II) Industrial raw materials and fuels, excluding raw materials of food processing industries; (III) Livestock; (IV) Food, and raw materials of food processing industries; (V) Consumer goods, other than food. In this table livestock is included with food and raw materials of food processing industries.

Source: For the years 1950-1955: SE 1949-1955; for the years 1956-1958: SE 1958 (Central Statistical Office, Budapest).

international prices, costs, and volume of trade during the Korean War or any other time had any effect on Hungarian foreign trade.

The volume of imports from the Soviet Bloc during the pre-1956 period reached its highest level in 1954, while imports from the West attained their peak in 1955 (Table 3). The latter year also marked the lowest relative share of the Bloc (54 per cent) in Hungarian imports, and the second highest relative share of the West (39 per cent) for the ten year period (Table 4). For the decade the volume of imports from the Bloc was highest in 1959. In the same year the volume of imports from the West was second only to the peak level attained in 1955 (Table 3). The share of the Bloc was dominant throughout the ten-year period: it fluctuated between 54 and 73 per cent while the share of the West changed from 24 to close to 40 per cent (Table 4). Imports originating in all other areas stayed relatively insignificant throughout the period, rising to a little over 7 per cent in 1956, and fluctuating between 2 and 6 per cent for the other years (Table 4).

The most significant shift in the geographic pattern of Hungarian trade with the Bloc and with the West is revealed by a comparison of the averages of their relative shares for the ten year period with their relative shares in the year of 1938. In 1938 Hungarian imports from the present Bloc countries amounted to 20 per cent of total imports compared to the ten-year average share of almost 66 per cent. Hungary's imports from the West had fallen from the 1938 level of 71 per cent to an average of 30 per cent for the

TABLE 3

VALUE OF HUNGARIAN IMPORTS BY COUNTRY AND BY TRADE AREA, 1950-1959
(MILLIONS OF DFT.)

Country and Trade Area	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^a
Bulgaria	75.1	67.3	66.6	115.7	141.4	120.0	142.2	147.1	108.5	118.0
China (Mainland)	-	290.8	320.1	393.7	317.8	340.5	334.5	367.9	397.7	514.2
Czechoslovakia	382.4	605.6	856.8	819.1	788.4	660.8	647.6	925.1	919.6	1,054.5
East Germany	96.2	262.7	464.1	476.3	616.2	580.8	520.4	825.2	812.4	1,083.5
Poland	365.5	424.6	395.4	331.6	297.5	312.7	275.1	415.0	389.3	467.3
Roumania	261.0	205.6	262.2	240.1	193.6	218.5	151.3	199.7	166.6	233.0
U.S.S.R.	908.3	1,179.6	1,386.6	1,663.5	1,718.7	1,163.7	1,261.2	2,779.0	2,273.0	2,975.7
TOTAL BLOC IMPORTS	<u>2,099.0</u>	<u>3,047.1</u>	<u>3,769.5</u>	<u>4,050.1</u>	<u>4,086.1</u>	<u>3,415.5</u>	<u>3,348.8</u>	<u>5,690.9</u>	<u>5,067.1</u>	<u>6,446.2</u>
Argentina	131.4	152.4	54.3	37.5	96.8	36.6	29.6	25.9	68.0	55.6
Austria	210.3	128.3	212.4	187.9	301.8	324.6	256.5	291.2	235.6	352.4
Belgium	133.6	117.1	96.6	72.2	96.8	140.2	116.3	75.0	62.7	91.8
France	53.8	72.1	71.9	42.8	165.5	363.3	204.8	297.0	163.2	196.7
Italy	108.3	98.7	71.7	84.9	148.9	136.1	156.7	142.8	121.1	224.0
Netherlands	98.6	104.6	111.2	324.6	280.8	316.2	137.3	114.3	88.0	162.5
Sweden	18.2	23.6	39.6	20.5	102.7	93.6	60.2	64.5	53.2	92.4
Switzerland	143.4	183.3	178.7	111.5	86.9	123.5	93.2	179.2	108.5	154.5
Turkey	48.2	84.1	95.4	88.3	61.5	113.7	85.8	85.9	71.9	83.4
United Arab Republic	37.7	74.9	81.4	66.9	63.3	143.5	59.0	54.0	147.1	72.6
United Kingdom	128.4	177.9	126.6	118.1	98.0	180.4	137.5	162.4	225.6	236.1
West Germany	366.6	200.7	193.7	185.8	322.4	449.6	304.7	343.5	416.1	457.6
Yugoslavia	-	-	-	-	8.1	29.3	75.6	122.8	185.8	154.3
TOTAL WESTERN IMPORTS	<u>1,478.5</u>	<u>1,417.7</u>	<u>1,333.5</u>	<u>1,341.0</u>	<u>1,733.5</u>	<u>2,450.9</u>	<u>1,717.2</u>	<u>1,958.5</u>	<u>1,946.8</u>	<u>2,333.9</u>
OTHER IMPORTS	<u>128.9</u>	<u>160.8</u>	<u>104.8</u>	<u>140.0</u>	<u>199.3</u>	<u>407.6</u>	<u>406.6</u>	<u>361.9</u>	<u>378.1</u>	<u>489.3</u>
TOTAL IMPORTS	<u>3,706.4</u>	<u>4,625.6</u>	<u>5,207.8</u>	<u>5,531.1</u>	<u>6,018.9</u>	<u>6,274.0</u>	<u>5,472.6</u>	<u>8,011.3</u>	<u>7,392.0</u>	<u>9,269.4</u>

^aPreliminary. The figures for 1959 represent the sum of monthly figures.

Source: Hungary, Central Statistical Office, *Statisztikai Havi Közlemények* (1959 December Havi Adatok), 1960, No. 2, pp. 50-52.

TABLE 4

PERCENTAGE DISTRIBUTION OF IMPORTS BY COUNTRY AND BY TRADE AREA, 1938 AND 1950-1959

Country and Trade Area	1938	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1950-1959 Average
Bulgaria	.78	2.03	1.46	1.28	2.09	2.35	1.91	2.60	1.84	1.47	1.27	1.8
China (Mainland)	.04	-	6.29	6.15	7.12	5.28	5.43	6.11	4.59	5.38	5.55	5.7
Czechoslovakia	6.64	10.32	13.09	16.45	14.81	13.10	10.53	11.83	11.55	12.44	11.38	12.5
East Germany	- ^a	2.59	5.68	8.91	8.61	10.24	9.26	9.51	10.30	10.99	11.69	9.3
Poland	1.43	9.86	9.18	7.59	5.99	4.94	4.98	5.03	5.18	5.27	5.04	6.0
Roumania	9.77	7.04	4.44	5.03	4.34	3.21	3.48	2.76	2.49	2.25	2.51	3.5
U.S.S.R.	.91	24.51	25.50	26.63	30.08	28.55	18.55	23.05	34.69	30.75	32.10	28.2
TOTAL BLOC IMPORTS	<u>19.57</u>	<u>56.35</u>	<u>65.64</u>	<u>72.04</u>	<u>73.04</u>	<u>67.67</u>	<u>54.14</u>	<u>60.89</u>	<u>70.64</u>	<u>68.55</u>	<u>69.54</u>	<u>67.0</u>
Argentina	.57	3.55	3.29	1.04	.68	1.61	.58	.54	.32	.92	.60	1.1
Austria	11.48	5.67	2.77	4.08	3.40	5.01	5.17	4.69	3.63	3.19	3.80	4.1
Belgium	1.05	3.60	2.53	1.85	1.31	1.61	2.23	2.13	.94	.85	.99	1.6
France	1.51	1.45	1.56	1.38	.77	2.75	5.79	3.74	3.71	2.21	2.12	2.6
Italy	6.25	2.92	2.13	1.38	1.53	.81	2.17	2.86	1.78	1.64	2.42	2.1
Netherlands	3.70	2.66	2.26	2.14	5.87	4.67	5.04	2.51	1.43	1.19	1.75	2.8
Sweden	.91	.49	.51	.76	.37	1.71	1.49	1.10	.81	.72	1.00	.9
Switzerland	2.54	3.87	3.96	3.43	2.02	1.44	1.97	1.70	2.24	1.47	1.67	2.2
Turkey	.62	1.30	1.82	1.83	1.60	1.02	1.81	1.57	1.07	.97	.90	1.3
United Arab Republic	1.53 ^b	1.02	1.62	1.56	1.21	1.05	2.29	1.08	.67	1.99	.78	1.3
United Kingdom	6.27	3.46	3.85	2.43	2.14	1.63	2.88	2.51	2.03	3.05	2.55	2.6
West Germany	30.12 ^a	9.89	4.34	3.72	3.36	5.36	7.17	5.57	4.29	5.63	4.94	5.3
Yugoslavia	4.52	-	-	-	-	.13	.47	1.38	1.53	2.51	1.66	1.4
TOTAL WESTERN IMPORTS	<u>71.07</u>	<u>39.89</u>	<u>30.65</u>	<u>25.61</u>	<u>24.24</u>	<u>28.80</u>	<u>39.06</u>	<u>31.38</u>	<u>24.45</u>	<u>26.34</u>	<u>25.18</u>	<u>29.3</u>
OTHER IMPORTS	9.36	3.76	3.71	2.35	2.72	3.53	6.80	7.73	4.91	5.11	5.28	4.5
TOTAL IMPORTS	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.0</u>

^aImports from the pre-war Germany are shown under West Germany.^bEgypt

Source: Table 3.

period of 1950-1959 (Table 4). The biggest single shift in the geographic pattern of trade occurred between Hungary's trade with Germany and with the U.S.S.R. While imports from the U.S.S.R. as a percentage of total imports ranged between 19 and 35 per cent during the 1950's, in 1938 they had barely reached 1 per cent. The political division of the pre-war Germany into East and West makes a clear comparison somewhat difficult. Nevertheless, it is apparent that, in the main, the U.S.S.R. attained the same commanding position in Hungarian imports which was held by Germany in 1938. Imports originating in West and East Germany amounted to an average of 14 per cent of total imports for 1950-1959 which is less than half of the pre-war German share. The combined shares of Germany, Austria, and Italy shrank from 48 per cent in 1938 to an annual average of 20 per cent for the ten-year period, while the combined shares of Checkoslovakia, Poland and China rose from the pre-war 8 per cent to an annual average of 24 per cent for the 1950's (Table 4).

The pattern of imports from Bloc countries showed a considerable shift between the year 1938 and the ten-year period of the 1950's. The most conspicuous of these changes was, of course, the dominance of imports from the U.S.S.R., already mentioned. Probably less significant but no less conspicuous was the doubling of Checkoslovakia's share in the Hungarian imports from 6 per cent to 12 per cent and the quadrupling of Poland's relative share from $1\frac{1}{2}$ to 6 per cent. While China's share ranked only as fifth among imports from Bloc countries, nevertheless it exceeded the average share

of imports from West Germany which had the highest average share in Hungarian imports among countries of the West. The five leading suppliers of Hungarian imports among countries of the Bloc (the U.S.S.R., Checkoslovakia, East Germany, Poland, and China, in this order) provided, on the average, 60 per cent of all Hungarian imports, during the ten-year period, while in 1938 the top five (Germany, Austria, Roumania, Checkoslovakia, and the United Kingdom, in this order) furnished 64 per cent of total imports (Table 4). It is interesting to note that there was virtually no change in the combined relative shares of Checkoslovakia and Roumania between the two time periods compared, although the share of Checkoslovakia increased, while Roumania's share decreased. The combined share of the countries immediately adjacent to Hungary in 1938 (Austria, Checkoslovakia, Roumania, and Yugoslavia) declined from 32 per cent in that year to an average 21 per cent for the ten-year period (Table 4). The rise in imports from the U.S.S.R. was almost fully compensated by decreases in the shares of Germany, Austria, Roumania, Yugoslavia, Italy, and the United Kingdom. The shares of other countries remained relatively unchanged.

In Hungary's trade with the Bloc, changes in the direction and magnitude of exports closely paralleled changes in imports in each year, except in 1957. In that year Hungary ran a net deficit on merchandise account with each of the Bloc countries (Tables 5 and 6). The same situation prevailed in her trade with the West. Except for

TABLE 5

VALUE OF HUNGARIAN EXPORTS BY COUNTRY AND BY TRADE AREA, 1950-1959
(MILLIONS OF DFT.)

Country and Trade Area	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959 ^a
Bulgaria	74.5	59.7	84.3	107.2	102.2	102.6	68.4	100.4	120.8	166.5
China (Mainland)	.0	241.9	241.9	346.5	362.2	428.4	364.7	345.6	674.4	467.9
Czechoslovakia	406.8	614.2	677.2	822.1	884.6	928.1	734.4	889.7	1,091.2	1,030.5
East Germany	284.1	157.0	352.9	422.0	573.7	762.4	452.1	581.8	885.2	1,034.3
Poland	316.4	376.0	420.1	377.7	340.7	374.7	266.2	257.2	395.6	458.3
Roumania	298.4	171.5	219.5	301.4	177.8	227.6	142.4	141.7	179.1	212.2
U.S.S.R.	1,115.3	1,515.5	1,740.6	2,198.2	2,018.0	1,794.9	1,417.9	1,243.8	1,849.6	2,399.2
TOTAL BLOC EXPORTS	<u>2,495.5</u>	<u>3,135.8</u>	<u>3,736.4</u>	<u>4,575.1</u>	<u>4,459.2</u>	<u>4,618.7</u>	<u>3,446.1</u>	<u>3,560.2</u>	<u>5,195.9</u>	<u>5,768.9</u>
Argentina	73.1	103.1	63.0	54.9	88.7	132.6	32.0	20.0	20.2	33.2
Austria	197.9	197.0	192.0	151.9	241.5	313.6	242.9	194.5	275.2	325.7
Belgium	52.5	68.3	61.5	43.9	25.1	55.3	46.0	42.2	58.7	65.5
France	42.4	75.1	54.0	44.6	50.9	56.4	104.2	87.8	125.3	113.7
Italy	130.4	90.2	103.1	44.8	74.3	113.4	121.4	144.6	216.6	209.6
Netherlands	79.8	135.4	138.0	163.0	228.2	205.7	83.1	73.2	77.2	119.2
Sweden	10.8	37.8	31.5	29.3	33.0	47.3	47.1	41.9	56.1	65.4
Switzerland	142.5	160.0	142.3	100.5	82.9	176.7	253.5	126.2	165.0	256.7
Turkey	68.0	88.3	87.9	91.2	100.7	149.2	56.1	104.6	111.5	63.6
United Arab Republic	48.8	69.4	76.2	60.4	53.2	47.7	90.8	153.8	172.1	149.7
United Kingdom	5.0	3.5	8.2	5.4	35.8	153.3	207.1	138.9	144.2	150.1
West Germany	286.8	217.9	199.7	186.9	238.0	364.0	427.9	351.2	396.8	571.4
Yugoslavia	-	-	-	-	10.4	41.8	79.5	253.6	450.9	370.2
TOTAL WESTERN EXPORTS	<u>1,138.0</u>	<u>1,246.0</u>	<u>1,157.4</u>	<u>976.8</u>	<u>1,262.7</u>	<u>1,857.0</u>	<u>1,791.6</u>	<u>1,732.5</u>	<u>2,269.8</u>	<u>2,494.0</u>
OTHER EXPORTS	<u>223.5</u>	<u>264.0</u>	<u>304.0</u>	<u>352.3</u>	<u>441.7</u>	<u>672.2</u>	<u>571.3</u>	<u>435.6</u>	<u>513.9</u>	<u>731.5</u>
TOTAL EXPORTS	<u>3,857.0</u>	<u>4,645.8</u>	<u>5,197.8</u>	<u>5,904.2</u>	<u>6,163.6</u>	<u>7,147.9</u>	<u>5,809.0</u>	<u>5,728.3</u>	<u>7,979.6</u>	<u>8,994.4</u>

^aPreliminary. The figures for 1959 represent the sum of monthly figures.

Source: Hungary, Central Statistical Office, *Statisztikai Havi Közlemenyek (1959 December Havi Adatok)*, 1960, No. 2, pp. 50-52

TABLE 6

PERCENTAGE DISTRIBUTION OF EXPORTS BY COUNTRY AND BY TRADE AREA, 1938 AND 1950-1959

Country and Trade Area	1938	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1950-1959 Average
Bulgaria	.98	1.93	1.29	1.62	1.82	1.66	1.44	1.18	1.75	1.51	1.85	1.6
China (Mainland)	.28	.00	5.21	4.65	5.87	5.88	5.99	6.28	6.03	8.45	5.20	5.7
Czechoslovakia	4.14	10.55	13.22	13.03	13.92	14.35	12.98	12.64	15.53	13.67	11.46	13.2
East Germany	- ^a	7.37	3.38	6.79	7.15	9.31	10.67	7.78	10.16	11.09	11.50	9.0
Poland	1.04	8.20	8.09	8.08	6.40	5.53	5.24	4.58	4.49	4.96	5.10	5.8
Roumania	4.01	7.74	3.69	4.22	5.10	2.88	3.18	2.45	2.47	2.24	2.36	3.4
U.S.S.R.	.09	28.92	32.62	33.49	37.23	32.74	25.11	24.41	21.71	23.18	26.67	28.2
TOTAL BLOC EXPORTS	<u>10.54</u>	<u>64.70</u>	<u>67.50</u>	<u>71.88</u>	<u>77.49</u>	<u>72.35</u>	<u>64.62</u>	<u>59.32</u>	<u>62.15</u>	<u>65.11</u>	<u>64.14</u>	<u>66.9</u>
Argentina	1.84	1.90	2.22	1.21	.93	1.44	1.86	.55	.35	.25	.37	1.0
Austria	18.26	5.13	4.24	3.69	2.57	3.92	4.39	4.18	3.40	3.45	3.62	3.8
Belgium	.82	1.36	1.47	1.18	.74	.41	.77	.79	.74	.74	.73	.8
France	1.87	1.10	1.62	1.04	.76	.83	.79	1.79	1.53	1.57	1.26	1.2
Italy	8.46	3.38	1.94	1.98	.76	1.21	1.59	2.09	2.52	2.71	2.33	2.0
Netherlands	1.55	2.07	2.91	2.65	2.76	3.70	2.88	1.43	1.28	.97	1.33	2.1
Sweden	1.92	.28	.81	.61	.50	.54	.66	.81	.73	.70	.73	.7
Switzerland	3.19	3.69	3.44	2.74	1.70	1.34	2.47	4.36	2.20	2.07	2.85	2.6
Turkey	.81	1.76	1.90	1.69	1.54	1.63	2.09	.97	1.83	1.40	.71	1.5
United Arab Republic	1.43 ^b	1.27	1.49	1.47	1.02	.86	.67	1.57	2.68	2.16	1.66	1.5
United Kingdom	8.13	.13	.08	.16	.09	.58	2.14	3.57	2.42	1.81	1.67	1.4
West Germany	27.44 ^a	7.44	4.69	3.84	3.17	3.86	5.09	7.37	6.13	4.97	6.35	5.3
Yugoslavia	3.00	-	-	-	-	.17	.58	1.37	4.43	5.65	4.12	2.0
TOTAL WESTERN EXPORTS	<u>78.42</u>	<u>29.50</u>	<u>26.82</u>	<u>22.25</u>	<u>16.54</u>	<u>20.49</u>	<u>25.98</u>	<u>30.84</u>	<u>30.24</u>	<u>28.45</u>	<u>27.73</u>	<u>25.9</u>
OTHER EXPORTS	<u>11.04</u>	<u>5.80</u>	<u>5.68</u>	<u>5.87</u>	<u>5.97</u>	<u>7.16</u>	<u>9.40</u>	<u>9.84</u>	<u>7.61</u>	<u>6.44</u>	<u>8.13</u>	<u>7.3</u>
TOTAL EXPORTS	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.0</u>

^aExports from the pre-war Germany are shown under West Germany.^bEgypt

Source: Table 5.

Italy, the United Arab Republic, and Yugoslavia the merchandise account showed a deficit with the countries of the West.

The pronounced shift in the geographic pattern of trade between 1938 and the 1950's were caused mainly by the establishment of a new political order in Eastern Europe following World War II. National economic (and political) objectives were modified to approximate the standards set by the U.S.S.R. In order to meet the new objectives, substantial institutional and structural changes had to be made in the Hungarian economy. The institutional changes were carried out mostly between 1948 and 1951 by the rapid nationalization of economic processes involving entrepreneurial decisions, supplanting a quasi-enterprise economy by a system of central planning and control organizations. Thereafter, it was the task of these organizations to carry out structural changes in the economy, calculated to deliver such long-run economic objectives, as more rapid rate of capital accumulation, better capital output ratio, and perhaps even higher per capita real income. Programs for the structural changes were presented in three-year and five-year plans, which called for, with minor variations in detail, the development of large-scale methods in agriculture, along with an intensive industrialization program involving new investment in plant and equipment, as well as capital modernization projects. In this scheme of things, foreign trade was assigned the role of procuring the goods essential for the realization of domestic plans in exchange for salable surpluses made available by the domestic economy.

Changes in the Commodity Patterns
of Trade

While geographic patterns of trade reflect adequately the political changes after World War II, they do not reveal the effects of domestic structural changes on foreign trade. However, changes in the scope and direction of the domestic economy are well illustrated in the commodity composition of Hungarian foreign trade.

Exports of capital goods, machinery rose faster than any other commodity group during the period 1950-1958.¹ It increased more than

¹Figures for the year 1959 are not available.

threefold between the beginning and the end of this nine-year period, while total exports for the same period advanced 108 per cent (Table 7). Not only did exports of capital goods lead all other commodity groups in terms of growth through time, but also in terms of their share in total exports. By 1958, exports of machinery, industrial installations, industrial instruments and other producers' goods represented 36 per cent of all exports as compared to 23 per cent in 1950 (Table 8). By contrast, the share of food exports and exports of agricultural raw materials decreased from 39 per cent to 23 per cent during the same period. Exportation of industrial raw materials (excluding agricultural raw materials) rose at a somewhat higher rate than total exports. Between 1950 and 1958 all major commodity groups have shown advances, but the rate of growth in the

TABLE 7

CHANGES IN THE VOLUME OF EXPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958
(1950=100)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>100</u>	<u>123</u>	<u>155</u>	<u>239</u>	<u>232</u>	<u>243</u>	<u>207</u>	<u>257</u>	<u>331</u>
Bloc	100	121	156	242	234	237	-	-	-
West	100	158	151	212	216	321	-	-	-
II RAW MATERIALS	<u>100</u>	<u>126</u>	<u>149</u>	<u>165</u>	<u>176</u>	<u>240</u>	<u>188</u>	<u>171</u>	<u>264</u>
Bloc	100	122	164	194	203	215	-	-	-
West	100	134	120	107	122	290	-	-	-
III FOOD, LIVESTOCK, AGRICULTURAL RAW MATERIALS	<u>100</u>	<u>106</u>	<u>115</u>	<u>96</u>	<u>118</u>	<u>144</u>	<u>119</u>	<u>99</u>	<u>121</u>
Bloc	100	116	141	129	134	158	-	-	-
West	100	96	88	63	103	130	-	-	-
IV CONSUMER GOODS, OTHER THAN FOOD	<u>100</u>	<u>141</u>	<u>137</u>	<u>156</u>	<u>144</u>	<u>151</u>	<u>116</u>	<u>103</u>	<u>188</u>
Bloc	100	150	141	157	134	124	-	-	-
West	100	123	130	152	164	203	-	-	-
TOTAL EXPORTS	<u>100</u>	<u>120</u>	<u>135</u>	<u>153</u>	<u>160</u>	<u>185</u>	<u>151</u>	<u>149</u>	<u>208</u>
Bloc	100	125	150	183	178	187	-	-	-
West	100	111	105	96	124	182	-	-	-

Source: Table 23.

TABLE 8

PERCENTAGE DISTRIBUTION OF EXPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>22.5</u>	<u>23.0</u>	<u>25.9</u>	<u>35.2</u>	<u>32.7</u>	<u>29.4</u>	<u>30.9</u>	<u>38.9</u>	<u>35.8</u>
Bloc	20.9	20.9	24.1	32.9	30.5	26.6	n.a.	n.a.	n.a.
West	1.6	2.1	1.8	2.3	2.2	2.8	n.a.	n.a.	n.a.
II RAW MATERIALS	<u>18.4</u>	<u>19.3</u>	<u>20.5</u>	<u>20.0</u>	<u>20.3</u>	<u>23.9</u>	<u>23.0</u>	<u>21.2</u>	<u>23.5</u>
Bloc	12.3	12.5	15.0	15.7	15.6	14.3	n.a.	n.a.	n.a.
West	6.1	6.8	5.5	4.3	4.7	9.6	n.a.	n.a.	n.a.
III FOOD, LIVESTOCK, AGRICULTURAL RAW MATERIALS	<u>39.3</u>	<u>34.5</u>	<u>33.4</u>	<u>24.7</u>	<u>29.1</u>	<u>30.5</u>	<u>30.9</u>	<u>26.2</u>	<u>22.8</u>
Bloc	19.7	19.0	20.6	16.6	16.5	16.8	n.a.	n.a.	n.a.
West	19.6	15.5	12.8	8.1	12.6	13.7	n.a.	n.a.	n.a.
IV CONSUMER GOODS, OTHER THAN FOOD	<u>19.8</u>	<u>23.2</u>	<u>20.2</u>	<u>20.1</u>	<u>17.9</u>	<u>16.2</u>	<u>15.2</u>	<u>13.7</u>	<u>17.9</u>
Bloc	13.1	16.3	13.7	13.5	11.0	8.8	n.a.	n.a.	n.a.
West	6.7	6.9	6.5	6.6	6.9	7.4	n.a.	n.a.	n.a.
TOTAL EXPORTS	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Bloc	66.0	68.7	73.4	78.7	73.6	66.5	n.a.	n.a.	n.a.
West	34.0	31.3	26.6	21.3	26.4	33.5	n.a.	n.a.	n.a.

Source: Table 23.

exports of capital goods and of industrial raw materials exceeded the rate of growth in the volume of total exports. For the same period, exports of food, of raw materials of food processing industries, and of consumer goods increased at a slower rate than total exports. Thus, over the nine-year period, the share of industrial goods and raw materials increased while that of consumer goods and foodstuffs diminished (Table 7).

Industrial raw materials represented by far the largest portion of Hungarian imports. In several years, between 1950 and 1958, raw material imports amounted to as much as 71 per cent of total imports and never fell below 67 per cent (Table 9). Purchases of raw materials increased each year during the nine-year period, except for the years 1956 and 1958. In these years the volume of total imports also fell somewhat. The share of capital goods in total imports gradually declined between 1953 and 1957, but rose to 17 per cent in 1958, its highest level in five years (Table 9). There was a sharp increase, absolutely and relatively, in the importation of food, other consumer goods and raw materials of food processing industries up to 1956. The decline in these imports after 1956 was followed by a mild rise in 1957; but the period closed in 1958 at a level lowest since 1952 (Table 9).

In all, the pattern of trade seems to indicate two broad trends in the domestic economy. First, industrial capacity appeared to have increased substantially during the decade. This is indicated by the ever increasing raw materials imports, as well as by

TABLE 9

PERCENTAGE DISTRIBUTION OF IMPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>20.8</u>	<u>20.9</u>	<u>21.6</u>	<u>18.7</u>	<u>14.4</u>	<u>11.4</u>	<u>13.6</u>	<u>12.3</u>	<u>16.8</u>
Bloc	9.1	14.2	16.8	15.2	11.8	9.5	n.a.	n.a.	n.a.
West	11.7	6.7	4.8	3.5	2.6	1.9	n.a.	n.a.	n.a.
II RAW MATERIALS	<u>72.1</u>	<u>69.8</u>	<u>71.1</u>	<u>67.7</u>	<u>68.1</u>	<u>67.6</u>	<u>71.1</u>	<u>67.8</u>	<u>70.1</u>
Bloc	42.5	44.6	50.6	49.5	48.8	39.1	n.a.	n.a.	n.a.
West	29.6	25.2	20.5	18.2	19.3	28.5	n.a.	n.a.	n.a.
III FOOD, LIVESTOCK, AGRICULTURAL RAW MATERIALS	<u>3.6</u>	<u>7.4</u>	<u>5.6</u>	<u>11.9</u>	<u>13.9</u>	<u>17.6</u>	<u>12.6</u>	<u>13.5</u>	<u>8.5</u>
Bloc	2.2	5.8	3.8	7.3	4.4	3.7	n.a.	n.a.	n.a.
West	1.4	1.6	1.8	4.6	9.5	13.9	n.a.	n.a.	n.a.
IV CONSUMER GOODS, OTHER THAN FOOD	<u>3.5</u>	<u>1.9</u>	<u>1.7</u>	<u>1.7</u>	<u>3.6</u>	<u>3.4</u>	<u>2.7</u>	<u>6.4</u>	<u>4.6</u>
Bloc	2.8	1.3	1.2	1.2	3.0	2.6	n.a.	n.a.	n.a.
West	.7	.6	.5	.5	.6	.8	n.a.	n.a.	n.a.
TOTAL IMPORTS	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Bloc	56.6	65.9	72.4	73.2	68.0	54.9	n.a.	n.a.	n.a.
West	43.4	34.1	27.6	26.8	32.0	45.1	n.a.	n.a.	n.a.

Source: Table 24.

the decrease in capital goods imports, while capital goods exports rose throughout the period. Secondly, agricultural performance probably fell short of expectations as indicated by the sharp and sustained increase in agricultural imports up to 1956. But whether or not these developments actually took place can be judged only after a brief survey of some of the changes in the domestic economy. This survey may also throw additional light on the structural changes in exports and imports.

Foreign Trade and the Domestic Economy

In the first five-year plan (1950-1955) strong emphasis was given to industrial development and to the simultaneous restructuring of agriculture. The additional labor input required by the industrial and construction sectors was to be provided by agriculture, because the greater use of capital in agriculture was expected to release labor. The substitution of agricultural labor by capital, together with the collectivisation of farming was expected to yield economies of large scale, and should have resulted in sufficient growth of output to sustain domestic consumption at a reasonable level and perhaps also to provide surpluses for export. These exports, in turn, were needed to help pay for the raw material and capital goods imports required by the industrialization plan.

There was indeed a shift in employment from agriculture to industry. Between 1950 and 1956 the share of agriculture in total employment decreased from 62 per cent to 51 per cent. In absolute

terms this meant a fall in agricultural employment in excess of 100 thousand. During this period the total number of gainfully employed rose by 450 thousand.²

²SE 1949-1955, p. 57.

However, the expected increases in agricultural output were not forthcoming in spite of the structural changes and more intensive use of capital.³ The average total output in agriculture for the early

³The number of tractors rose from 7,000 to 23,000 between 1935 and 1955, tractor-drawn plows increased from 6,800 to 19,000, and combines from none in 1935 to 2,200 in 1955. *Ibid*, p. 199.

fifties never exceeded the average output of agriculture of the pre-World War II years, while many other countries increased their output by as much as 20-50 per cent during the corresponding period.⁴

⁴József Bognár, "Problems of Economic Cooperation Between Socialist Countries," *op. cit.*, p. 843.

The private sector of agriculture seemed to have performed better than the two socialist sectors. During 1954-1958 the simple average of the per acre output (in 1954 prices) in the private sector was greater than that of the cooperative and state sectors by 71 and 135 per cent, respectively (Table 10). The divergent performance of the public and the private sector is further demonstrated by comparisons between the per acre physical yield on farms of various size during the 1930's and the early 1950's. On the average, between

1931-1938, physical output per acre on small farms (under 28 acres) was below the comparable figure for large estates (over 1420 acres) for 14 out of 15 major crops (Table 11). However, during the period 1950-1954, out of the 15 major crops the per acre yield was higher for eight of these crops on small-holder, private farms than on the large state farms.⁵ Comparing the per acre output of small farms one

⁵For the years 1950-1954 per acre physical output of the 15 major crops are reported by sector and not by size of the production unit, like for the period 1931-1938. However, it still seems to be possible to make rough comparisons of the information between the 1930's and the early 1950's. State farms are of large acreage, because they comprise most of the large estates of the pre-World War II period, while better than 90 per cent of private sector holdings are below 28 acres. SE 1949-1955, p. 162.

finds that for 11 out of the 15 major crops the per acre yield was higher in the period 1950-1954 than in 1931-1938. In the case of large units, the per acre yield was greater for 13 out of 15 crops during the 1930's. Yield per acre, irrespective of size, was greater in the case of nine products in 1950-1954, as compared to the pre-war period (Table 11). Thus, it seems, that the over-all improvement in the per acre physical productivity originated mostly in the private sector during the period 1950-1954, although it was not sufficiently great to have resulted in an aggregate output which would have exceeded the pre-war levels.⁶

⁶See page 54.

TABLE 10

HUNGARIAN AGRICULTURAL OUTPUT, EMPLOYMENT, LAND AREA,
AND PRODUCTIVITY PER ACRE BY SECTOR, 1954-1958

Year	State Sector	Cooperative Sector	Private Sector	All Sectors
Output (Millions of 1954 forints)				
1954	5,282	2,853	30,580	38,715
1955	5,768	3,397	34,121	43,286
1956	5,357	3,650	29,053	38,060
1957	5,572	2,064	35,453	43,089
1958	5,733	2,654	37,068	45,455
Employment (Thousands of persons)				
1954	331	245	1,334	1,910
1955	320	257	1,375	1,952
1956	319	309	1,363	1,991
1957	285	154	n.a.	n.a.
1958	276	166	n.a.	n.a.
Land Area (Thousands of acres)				
1954	5,680	2,330	14,980	22,990
1955	5,680	2,270	15,040	22,990
1956	6,050	3,160	13,780	22,990
1957	6,110	1,650	15,230	22,990
1958	5,680	1,820	15,490	22,990
Output per Acre (in 1954 prices)				
1954	930	1,224	2,041	1,684
1955	1,015	1,496	2,269	1,883
1956	885	1,155	2,108	1,656
1957	912	1,251	2,328	1,874
1958	1,009	1,458	2,393	1,977
Average of 1954-1958	950	1,317	2,228	1,615
Output per Man (in 1954 prices)				
1954	15,958	11,645	22,924	20,270
1955	18,025	13,218	24,815	22,175
1956	16,293	11,812	21,315	19,116
1957	19,551	13,403	n.a.	n.a.
1958	20,772	15,988	n.a.	n.a.
Percentage Distribution of Output (1) and Land (2)				
	(1)	(2)	(1)	(2)
1954	13.6	24.7	7.4	10.1
1955	13.3	24.7	7.8	9.9
1956	14.1	26.3	9.6	13.6
1957	12.9	26.3	4.8	7.2
1958	12.6	24.7	5.8	7.9

Source: Hungary, Central Statistical Office, SE 1949-1955.

TABLE 11
 AVERAGE OUTPUT PER JOCH^a OF SELECTED CROPS BY SIZE OF FARM
 AND TYPE OF FARM, 1931-1938 and 1950-1954
 (100 KILOGRAMS PER JOCH)

Item	Average of 1931-1938					Average of 1950-1954			
	Farms Under 20 Joch	Farms Be- tween 20-99 Joch	Farms Be- tween 100- 999 Joch	Farms Over 1000 Joch	All Farms	State Farms	Co-op- era- tive Farms	Pri- vate Sector Farms	All Farms
Wheat	7.4	7.4	8.2	9.8	7.8	8.8	8.3	8.5	8.4
Rye	6.2	6.0	7.0	7.9	6.5	8.1	7.3	6.9	6.9
Barley	7.3	7.2	8.2	9.7	7.8	9.0	8.4	8.6	8.6
Oat	6.6	6.4	7.2	8.3	7.0	5.6	6.4	6.9	6.6
Corn	10.6	10.5	10.7	12.0	10.7	8.4	9.0	11.4	10.9
Potatoes	37.2	36.2	38.7	47.1	38.0	38.4	42.3	44.6	43.9
Sugar Beets	102	98	109	125	116	81	98	105	101
Fodder Beets	120	121	128	144	124	130	130	145	142
Sunflowerseed	5.2	5.2	5.1	5.2	5.2	4.5	5.1	5.9	5.8
Flax, for Oil	3.4	3.4	3.5	3.9	3.8	2.7	2.5	2.3	2.5
Flax, for Fibre	12.9	13.5	13.2	13.8	13.8	11.7	10.1	7.2	9.3
Hemp	22.4	24.2	26.3	27.4	25.6	22.8	21.0	20.9	20.9
Tobacco	7.6	7.9	8.0	8.1	8.0	5.6	5.8	5.6	5.5
White Clover Hay	21.6	21.6	22.4	23.9	22.2	18.6	20.6	26.5	24.0
Red Clover Hay	17.8	17.6	18.3	19.5	18.1	19.8	20.6	24.6	23.3

^aThe joch is a Central European measure of land area. One joch=1.422 acres.

Source: Hungary, Central Statistical Office, SE 1949-1955.

Industrial growth has been more vigorous than that of agriculture. Between 1950 and 1958 national income in terms of 1950 prices increased 59 per cent. At the same time income originating in industry and agriculture rose 94 and 14 per cent, respectively (Table 12). In 1950, 52 per cent of national income originated in the industrial sector, and by 1958 industry's share rose to almost 61 per cent, while the share of agriculture fell from 26 per cent to 18 per cent during the same period (Table 13).

These were some of the significant changes in the domestic economy which show up in the commodity composition of foreign trade, and which had partial bearing on the deterioration of Hungary's payments position in her trade with the West. Between 1950 and 1956 the failure of agriculture to produce the desired level of output slowed down domestic as well as foreign transactions in food and raw materials of food processing industries. Shortages in domestic consumption developed, particularly during 1952 and 1953, which presumably could have been worse except for the fact of rather dubious distinction, i.e., that "during the period of the [first] five-year plan substantial portions of planned exports to Bloc countries could not be sold..."⁷ In order to alleviate domestic scarcity of food,

⁷ István Tatár, "Timely Problems of Our Foreign Trade," op. cit., p. 197.

purchases of these commodities had to be increased. While agricultural imports from the West represented less than 2 per cent of all

TABLE 12

OFFICIAL INDEXES OF NATIONAL INCOME AND OF THE PER CAPITA REAL INCOME
OF THE POPULATION, 1950-1958
(1950=100)

Year	National Income ^a					Per Capita Real In- come of the Non-Agrar- ian Popu- lation	Per Capita Real In- come of the Agrarian Population
	Total	Sources		Uses			
		Industry	Agri- culture	Con- sumption	Investment		
1950	100	100	100	100	100	100	100
1951	117	118	119	104	148	93	116
1952	115	140	74	100	121	89	65
1953	130	155	103	103	152	94	106
1954	125	150	98	124	116	114	108
1955	136	168	113	133	138	120	116
1956	121	143	94	145	25	131	112
1957	149	173	111	158	172	150	130
1958	159	194	114	165	135	159	123

^aIn 1949 prices.

Source: Hungary, Central Statistical Office, SE 1958.

TABLE 13

PERCENTAGE DISTRIBUTION OF THE SOURCES AND USES OF NATIONAL INCOME
IN 1949 PRICES, 1949-1958

Year	Sources			Total	Uses			Index of National Income 1949=100
	Industry	Agric- ulture	Other		Con- sumption	Investment	Other	
1949	49.9	26.2	23.9	100.0	66.0	21.0	13.0	100.0
1950	51.7	24.3	24.0	100.0	58.1	26.9	15.0	120.6
1951	52.0	24.7	23.3	100.0	51.7	34.0	14.3	141.2
1952	62.7	15.7	21.6	100.0	50.7	28.4	20.9	138.5
1953	61.6	19.3	19.1	100.0	46.2	31.5	22.3	156.7
1954	62.4	19.1	18.5	100.0	57.8	24.9	17.3	150.3
1955	61.2	20.3	18.5	100.0	56.8	27.3	15.9	163.7
1956	58.3	18.9	22.8	100.0	69.4	5.6	25.0	146.0
1957	57.3	18.1	24.6	100.0	61.4	31.0	7.6	180.0
1958	60.7	17.5	21.8	100.0	60.3	22.9	16.8	191.2

Source: Hungary, Central Statistical Office, SE 1958.

imports (3.3 per cent of imports from the West) in 1950, by 1955 these imports rose to 14 per cent of all imports (31 per cent of imports from the West) (Table 9). Meanwhile, raw material requirements of the developing industries also increased rapidly. Raw material imports from the West made up almost 29 per cent of all imports, while exports to the Western countries gradually diminished leaving an ever increasing debit balance on merchandise account.

The basic steel industry and textiles had to import all or most of their raw materials. Iron ore imports increased from 62 per cent of total domestic use in 1950 to 83 per cent in 1958. All of blast furnace coke was secured from abroad in 1950, 1951, and 1952, and 77 per cent of it was still imported in 1958. For the nine-year period starting with 1950 one hundred per cent of raw cotton, natural rubber and synthetic rubber requirements of the industrial sector had to be imported; on the average 69 per cent of sodium carbonate, 69 per cent of aniline dye, 66 per cent of newsprint, 60 per cent of synthetic fibre, 87 per cent of lumber and 90 per cent of pulpwood was also obtained from abroad (Table 14).

It is of significance that practically all of iron ore imports originated in the Bloc, specifically in the U.S.S.R., as did 72 per cent of raw cotton imports between 1950 and 1958. Indicative of the relative importance of the steel, machinery and textile industries, which were the biggest users of imported raw materials, is the fact that employment in these industries represented very nearly one half of the employment in the heavy and light industries.⁸ It is

TABLE 14

PERCENTAGE SHARE OF IMPORTS IN THE TOTAL AMOUNT OF SELECTED COMMODITIES
AVAILABLE FOR DOMESTIC USE, 1950-1958
(BASED ON PHYSICAL VOLUME)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	2.5	2.9	3.4	3.6	4.1	3.4	3.9	10.3	4.5
Iron Ore	62.2	67.0	71.4	73.5	75.0	79.3	76.1	79.8	83.0
Blast Furnace Coke	100.0	100.0	100.0	88.1	92.7	97.6	97.2	84.8	77.2
Sodium Carbonate	56.5	69.9	62.8	70.2	67.1	72.1	71.7	75.0	73.9
Rubber, Natural	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Rubber, Synthetic	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Aniline Dye	81.4	74.8	69.4	57.0	57.0	66.0	72.0	77.2	68.3
Newsprint	49.0	33.5	37.7	39.6	83.9	78.6	75.1	99.3	100.0
Cotton, Raw	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Wool	34.6	36.6	39.5	33.4	24.2	38.9	28.2	28.5	29.5
Synthetic Fibre	54.4	35.1	35.3	44.6	60.3	73.5	83.2	77.3	78.0
Lumber	87.6	84.5	88.6	88.4	88.4	89.4	89.2	86.4	84.6
Pulpwood	87.2	88.2	89.7	84.9	90.2	94.0	93.8	91.7	92.7
Wheat	.2	.4	.6	.2	14.9	13.3	9.1	14.7	6.3
Barley	5.1	6.6	2.1	7.8	13.9	7.4	2.9	24.6	9.6

Source: Table 32, and Table 34.

⁸SE 1958, p. 94.

worthwhile to note that for six years out of nine more than 40 per cent of cotton textile output entered export trade and only in 1957 did cotton textile exports fall under 30 per cent of output (Table 15). Cotton textile exports held an important share of total exports to the U.S.S.R. During the first half of the decade, these exports ranged between 26 and 40 per cent of total cotton textile exports (Table 16). Of total machinery exports 50 to 55 per cent was directed toward the Soviet Union representing 18 per cent of the Hungarian capacity in machinery production.⁹ Except for 1950 and

⁹László Kövári and György Lázár, "New Facts in Soviet-Hungarian Economic Relations," *op. cit.*, p. 596. The authors do not state for what time period was this true. However, indications are such that it must have been after 1952 and before mid-1957, because the machinery industry started to develop after 1952 and the article in which this information appears was dated mid-1957.

1951, when the machinery industry was in the early stages of development, seven items in the machinery and equipment group made up 11 to 36 per cent¹⁰ of all exports to the U.S.S.R. Alternatively, imports

¹⁰This figure, which is for the year 1957, probably overstates the magnitude of the seven export items. Average unit values of exports appear to have been significantly higher in 1957 than in any other year between 1950-1958. The nature and significance of unit value changes will be discussed in the next chapter.

of four basic raw materials represented between 23 per cent¹¹ and

TABLE 15

EXPORTS AS A PERCENTAGE OF DOMESTIC OUTPUT OF SELECTED COMMODITIES, 1950-1958
(BASED ON PHYSICAL VOLUME)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	.4	.8	1.1	2.0	3.2	2.4	1.0	.1	.4
Crude Oil	4.9	5.0	5.2	5.8	12.9	9.8	n.a.	n.a.	n.a.
Bauxite	103.5	72.1	60.3	55.3	62.1	44.4	42.1	51.4	51.3
Crude Aluminum	25.0	21.0	21.0	20.2	15.2	21.3	14.8	5.8	41.5
Lightbulbs	57.7	43.0	46.7	62.0	58.8	48.2	42.3	46.2	62.2
Cotton textile	36.0	40.1	39.4	44.0	44.6	45.2	49.9	29.0	42.5
Rice	17.5	34.7	23.3	16.0	33.2	37.6	n.a.	n.a.	n.a.
Sugar	9.9	19.2	52.9	18.8	36.2	38.5	18.5	3.3	10.4
Salami	2.5	3.5	2.7	3.2	4.4	4.5	4.8	4.7	4.2
Eggs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Butter	21.3	34.2	55.7	25.2	17.9	34.2	39.7	31.6	42.5
Sunflower Seed Oil	57.2	37.2	39.4	33.9	43.6	50.6	28.2	41.4	61.4
Wheat	13.6	12.0	10.5	8.9	9.6	13.7	7.5	.0	3.9
Rye	9.8	4.2	6.5	.8	13.0	4.7	n.a.	n.a.	n.a.
Corn	1.6	2.6	3.7	1.8	5.6	4.1	5.6	5.4	1.5
Beans	271.5	33.2	9.8	.3	42.5	63.5	75.3	64.9	120.8
Sunflower Seed	13.9	12.8	18.9	18.3	20.6	7.5	8.5	11.6	10.1
Wine ^a	9.0	12.9	15.2	24.3	28.4	13.7	20.2	16.6	15.3
Butcher Hogs ^a	22.8	10.3	12.8	14.4	12.0	11.3	12.4	6.2	7.3

^aExports as a percentage of mandatory domestic deliveries.

Source: Table 27, and Table 28.

TABLE 16

HUNGARIAN EXPORTS OF COTTON TEXTILE TO THE U.S.S.R., 1950-1958

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Total Exports of Cotton Textile as a Percentage of Domestic Output (Based on Physical Volume)	36	39	40	42	46	43	50	29	42
Cotton Textile Exports to the U.S.S.R. as a Percentage of Total Cotton Textile Exports (Based on Physical Volume)	28	40	40	36	26	7	3	-	12
Cotton Textile Exports to the U.S.S.R. as a Percentage of Total Exports to the U.S.S.R. (Based on Values)	12	16	15	12	9	3	2	-	3

Source: Hungary, Central Statistical Office, SE 1949-1955 and SE 1958.

¹¹The same qualification applies to this figure as to the one in the previous footnote, except that in this instance there is a tendency to understate the magnitude of these imports, because of an unusually large decrease in the average unit values of imports in 1957.

49 per cent of all imports from the U.S.S.R., and 12 to 19 per cent of all raw material imports of Hungary (Table 17). It can hardly escape attention how important a role the U.S.S.R. played in the domestic economy. It was the largest single foreign supplier of industrial raw materials and the largest single foreign buyer of the products made of these raw materials. Therefore, the U.S.S.R. appears to have been in a position to wield powerful economic control over Hungarian employment, output and income in the industrial sector and through it over the other sectors as well. Whether or not this particular arrangement proved to be economical to Hungary will be discussed in a later chapter.

Finally, on the whole, Hungary was consistently a net exporter of machinery, food and consumer goods and a net importer of raw materials.¹² However, it is well to note that exports originating

¹²For a precise classification of commodities, see footnote^a in Table 2.

in consumer goods industries, capital goods industries and in extracting industries (commodity Class V, I, and II, respectively) was never sufficient to pay for imports used by these industries (commodity Class I and II of imports) (Table 18). It was agricultural

TABLE 17

COMPARISONS BETWEEN THE PERCENTAGE DISTRIBUTION OF SELECTED EXPORTS AND IMPORTS
IN THE HUNGARIAN-U.S.S.R. TRADE, 1950-1958

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Imports Percentage Share in Total Imports from the U.S.S.R.									
a. Pig Iron	6.8	7.6	7.2	6.3	7.1	5.9	4.8	2.3	.9
b. Blast Furnace Coke	5.4	3.7	4.4	4.5	5.0	8.0	8.0	5.2	8.8
c. Raw Cotton	30.3	32.0	29.0	24.3	24.5	25.1	20.3	10.4	13.0
d. Iron Ore	6.5	5.1	5.4	5.2	8.4	12.9	10.2	5.0	10.0
Total (a+b+c+d)	<u>49.0</u>	<u>48.4</u>	<u>46.0</u>	<u>40.3</u>	<u>45.0</u>	<u>51.9</u>	<u>43.4</u>	<u>22.9</u>	<u>32.7</u>
A. Total (a+b+c+d) as a Percentage of All Raw Material Imports of Hungary	16.7	17.7	17.2	17.8	18.9	14.2	14.1	11.7	14.4
Exports Percentage Share in Total Exports to the U.S.S.R.									
e. Steam Locomobiles	3.5	3.1	7.8	7.2	7.7	8.5	7.1	10.4	.2
f. Elevators	1.8	1.4	1.0	.9	1.1	.3	.6	1.1	.8
g. Railroad Passenger Cars	-	-	1.0	5.2	5.9	9.1	9.7	14.1	10.6
h. Railroad Tank Cars	-	-	.0	1.2	2.9	3.0	2.5	.6	-
i. 1100-ton Cargo Ships	-	-	-	2.8	2.3	4.3	5.1	5.8	4.8
j. 5-ton Floating Cranes	-	.7	1.4	1.0	1.1	1.8	1.7	2.3	1.8
k. 100-ton Floating Cranes	-	-	-	1.3	1.0	1.6	2.0	1.7	1.5
Total (e+f+g+h+i+j+k)	<u>5.3</u>	<u>5.2</u>	<u>11.2</u>	<u>19.6</u>	<u>22.0</u>	<u>28.0</u>	<u>28.7</u>	<u>36.0</u>	<u>19.7</u>
B. Total (e+f+g+h+i+j+k) as a Percentage of All Machinery Exports of Hungary	6.8	7.4	14.5	20.7	22.0	24.1	22.7	20.1	12.8

Source: Hungary, Central Statistical Office, SE 1949-1955 and SE 1958.

exports and exports of the products of food processing industries which seem to have financed not only the net imports of the industrial sector, but paradoxically also the increasingly heavy imports of food and agricultural raw materials necessary to bolster sagging domestic consumption.¹³ One explanation for this is the inflexibility of

¹³Objections might be raised against this interpretation on the ground that another commodity group could have been singled out to show that, for example, net exports of machinery "rescued" the Hungarian economy. It is true that purely in the accounting sense such rearrangement of the figures has no other use but to illustrate the rule that the sum of the net balances for each commodity group always equals the balance on the merchandise account. However, in this case the key role of agricultural exports is clear. Writers on this subject speak of "unsustainable growth of agricultural imports," and of the fact that in Hungary's "economic position the balance in the current account . . . depends on net agricultural exports." Quoted from István Tatár, "Timely Problems of Our Foreign Trade," op. cit., p. 197; and József Bognár, "Problems of Our Foreign Trade," op. cit., p. 843, respectively.

machinery and raw material trade, on account of the Bloc-wide system of mandatory deliveries. However, even in the absence of a system of long-run contracts, which in fact are frequently violated by the participating countries, there would still remain the threat of unemployment and underemployment of industrial capacity should importation of key industrial raw materials and capital goods become irregular.¹⁴ Agricultural production is more independent of foreign re-

¹⁴Bognár states that "in order to ensure full employment and a rising standard of living [Hungary needs] a strong industry. Therefore the importation of raw materials has been and will continue to remain the weightiest component of imports." Ibid.

sources than industrial production. To be sure, imports of capital

goods and raw materials do contain some items, such as agricultural implements, machinery and fertilizers, used by agriculture and food processing industries. Nevertheless, such imports probably made up only a small part of all capital goods and raw material imports between 1950-1955. For these years no figures are available on the magnitude of machinery and raw material imports used by agriculture and food processing industries. However, the record for 1956-1958 shows that imports used by agriculture and food processing industries amounted to only 4-5 per cent of total machinery and raw material imports.¹⁵

¹⁵ S.E. 1958, p. 242.

Summary and Conclusions

In the foregoing discussion most of the analysis was concerned with the interrelation between structural changes in the domestic economy and developments in the foreign trade sector. The evidence presented suggests the following conclusions:

1. Industrial development as well as the continued employment of industrial capacity depended to a large extent on imports, in general, and on imports from the U.S.S.R. in particular.

2. The industrial sector could not "pay its way" in the international economy, that is, exports originating in this sector usually fell short of imports used by it.

3. Net exports of the agricultural sector helped to offset the deficit incurred by the industrial sector. However, because of the virtual stagnation of agricultural productivity and output the net exports of this sector became gradually insufficient to finance the growing deficit of the industrial sector.

4. Per capita real income indexes showed an increasing inequality in the distribution of income between agricultural and non-agricultural population (Table 12).

So far, the possibility that structural changes in the rest of the world may have had an effect on Hungarian trade, domestic planning and economic performance has not been taken into account. For the sake of simplification in interpreting large quantities of data it has been assumed that changes in the pattern of trade are determined by domestic planning. This is obviously not tenable, although it must be remembered that the traditional view on the role of state trading emphasizes, what might be called, the "service aspect" of exports in the domestic economy; imports are planned to help carry out domestic programs and exports merit attention only to the extent that they pay for imports.¹⁶ This simple doctrine which has long

¹⁶See footnote 2, p. 16.

been accepted by the Soviet Union cannot be applied with impunity in a community of nations engaged in state trade trading for at least two reasons. First, unlike in the case of the Soviet Union, foreign trade plays a vital role in the determination of the composition and

the magnitude of aggregate output in the Bloc countries. Therefore, whatever affects foreign trade will also influence domestic planning and performance, and the greater the share of exports and imports in domestic production and consumption the stronger their influence will be on domestic plans and practices. Economic planning appears to be fully autonomous only in a closed system. However, planning is likely to be limited even in a closed economy. Apart from disturbances arising out of natural causes, planners must also take into account political disturbances which could be created by cumulative errors in central economic decisions. In the hypothetically extreme case, if a planned economy were to export everything it produces and import everything it uses, it really would cease to be a planned system, because planners would no longer have autonomy to allocate resources. That would be determined multilaterally by all trading countries. Therefore, if long-run domestic programs cannot be carried out except by increased participation in international trade, then planners must be prepared to give up some of their autonomy. They will have to accept the influence of the economic plans of other Bloc countries and the influence of the forces of the world markets.

Secondly, the insistence of planners that imports have a high priority over exports cannot make sense in a community of nations, such as the Bloc, where each nation accepts this formula as the principle guide to planning in foreign trade, for the simple reason that one country's exports are the imports of the other. This is a clear case of the fallacy of composition, and it resembles the

familiar mercantilist fallacy of the "favorable" balance of trade. Planners may proceed to draw up import plans reflecting domestic requirements, but unless domestic plans clearly take account of exports there can be no equilibrium solution for trade in such a system, except by surrendering national planning authority to some supra-national planning organization or to the market.

No analysis of the Hungarian foreign trade can be complete without taking into consideration the role of these factors. However, first it will be necessary to extend the analysis of trade by describing the pattern of the average unit values of exports and imports, and by evaluating their effect on the terms of trade. This will be attempted in Chapter IV. Then, in Chapter V, a discussion of the domestic limits of commodity and unit value patterns will complete the analysis of foreign trade.

TABLE 18

VALUE OF HUNGARIAN EXPORTS AND IMPORTS BY ECONOMIC SECTOR, 1950-1958
(MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Exports Originating in Industry	2,343.6	3,044.7	3,460.3	4,443.9	4,370.3	4,967.8	4,013.9	4,229.5	6,194.7
Imports Used by Industry	3,442.0	4,198.2	4,827.6	4,780.0	4,965.1	4,956.1	4,432.8	6,138.7	6,094.6
A. NET IMPORTS (-) OF THE INDUSTRIAL SECTOR	<u>-1,098.4</u>	<u>-1,153.5</u>	<u>-1,367.3</u>	<u>- 336.1</u>	<u>- 594.8</u>	<u>• 11.7</u>	<u>- 418.9</u>	<u>-1,909.2</u>	<u>• 100.1</u>
B. NET IMPORTS (-) OF THE CONSUMER SECTOR	<u>- 264.4</u>	<u>- 427.4</u>	<u>- 380.2</u>	<u>- 751.1</u>	<u>-1,053.8</u>	<u>-1,317.9</u>	<u>- 838.2</u>	<u>-1,589.5</u>	<u>- 968.7</u>
Exports Originating in Agriculture	1,513.4	1,601.1	1,737.5	1,460.3	1,793.3	2,180.1	1,795.0	1,498.8	1,830.0
Imports Used by Agriculture	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	201.6	283.1	343.7
C. NET EXPORTS (+) OF THE AGRICULTURAL SECTOR	<u>+1,513.4</u>	<u>+1,601.1</u>	<u>+1,737.5</u>	<u>+1,460.3</u>	<u>+1,793.3</u>	<u>-2,180.1</u>	<u>+1,593.5</u>	<u>+1,215.7</u>	<u>+1,486.3</u>
NET EXPORTS (+) OF ALL SECTORS (A+B+C)	<u>• 150.6</u>	<u>• 20.2</u>	<u>- 10.0</u>	<u>• 373.1</u>	<u>• 144.7</u>	<u>• 873.9</u>	<u>• 336.4</u>	<u>-2,283.0</u>	<u>• 617.7</u>

Source: Table 23, and Table 24.

CHAPTER IV

THE STRUCTURE OF AVERAGE UNIT VALUES:

TERMS OF TRADE

In the course of the discussion in the previous chapter it has become apparent that the performance of the foreign trade sector as well as that of the domestic economy was not free of frictions. Some of these developments appeared to be rather serious, such as the retarded growth of agricultural productivity and output, and the seeming inability of the industrial sector to achieve balance between its imports and exports. Both of these difficulties are reflected in the merchandise account. The causes which brought about this precarious situation are numerous and they, no doubt, include changes in the conditions of demand and supply in the rest of the world, as well as changes in domestic economic requirements and possibilities. To the extent that such changes may have occurred, prices of internationally traded goods must have shifted, causing a change in Hungary's terms of trade. It is not within the scope of this study to explore the nature and magnitude of the foreign causes of price changes. However, it is of some importance to discover, and to analyze the direction and the magnitude of price changes, to compare prices in Hungary's Bloc trade with prices in her trade with the West, and finally, to relate these changes to the performance of the foreign

trade sector and of the domestic economy. The main objective of this chapter is to accomplish these unit value comparisons. The secondary objective is to test the claims¹ that

¹See pages 27 and 28.

1. Bloc prices are based on world market prices, thus they resemble world market prices,
2. the principle of a single price is de facto practiced, in intra-Bloc transactions, i.e., the principle of non-discrimination prevails,
3. under the above rules, the Bloc tends to trade as a single market area, even though the domestic economic plan of each Bloc country is arrived at independently.

To attain these ends a statistical attempt was made to find and analyze export and import unit values (prices) in Hungary's Bloc trade and Western trade.

Data and Method

Average unit values used in this chapter were calculated on the basis of the trade data published in the official Yearbooks. While unit values were not reported explicitly, the kind of information necessary for the calculation of unit values was available. For each major trading country and for each year, the Yearbooks reported the following, separately for exports and imports:

1. A partial list of commodities by physical amount (Q)
2. The total value of trade in Deviza Forints (V)
3. The percentage share (R) of each commodity (Q) in the total value (V) of the country's trade.

From this information the value (v) and the average unit value (P) of a commodity (Q) can be calculated as

$$v = \frac{VR}{100} \quad \text{and} \quad P = \frac{v}{Q}$$

Limitations inherent in the data reported were as follows:

1. Of the merchandise trade reported, data was classified
 - a. by country, but not by commodity,
 - b. by commodity, but not by country,
 - c. by country as well as by commodity.
2. Of the trade classified under 1.c., some items were traded
 - a. only with Bloc countries,
 - b. only with Western countries,
 - c. with countries of the West as well as the Bloc.

Points 1.c. and 2.c. above, describe the population from which a sample of commodities was selected. In addition to these limitations inherent in the reported data, the size of the sample was further limited by the following conditions:

Commodities selected for the sample

- A. had to be traded with the West as well as with the Bloc. The condition was regarded to have been

fulfilled if trade was reported to have taken place between Hungary and at least one country in each of the trade areas.

- B. had to be traded each year during the period 1950-1958, inclusively.
- C. had to be homogeneous.
- D. had to be immune, as much as possible, to qualitative changes through time.

These limitations and conditions finally reduced the number of commodities in the export sample to six and in the import sample to seven, separately for the Bloc trade and for the trade with the West. The sets of samples--one for each of the two trade areas--contain, of course, the same commodities, otherwise no meaningful comparison of export or import unit values would be possible between the two trade areas.² Finally, for each member of the samples, for each year,

²The export sample consists of the following commodities: salami, butter, sunflower seed oil, corn, wine and butcher hogs. The import sample consists of iron ore, sodium carbonate, aniline dye, newsprint, cotton, synthetic fibre and lumber.

separately for the Bloc trade and the Western trade, average unit values have been obtained by summing the values of each commodity traded in each of the trade areas, and dividing this figure by the sum of the corresponding quantities.

Unfortunately the samples have a major shortcoming in common, which cannot be eliminated without violating the limits of the sample.

Without exception, members of the export sample consist of agricultural commodities and products of the food processing industries. Thus the sample is not representative of other commodity groups, such as machinery and products of extracting industries. The same observation applies to the import sample which contains only industrial raw materials; thus it is not representative of other imports. It seems, therefore, that for instance, unit value indexes constructed from the samples could be misleading, should the information contained in them be used to characterize unit value behavior of all commodities. However, in another sense, the similar character of the members in the samples is useful, because it allows unit value comparisons in two important groups of commodities, i.e., agricultural exports and raw material imports. The significance of both of these in Hungarian foreign trade was discussed in the previous chapter.

With these limitations in mind, the data in the sample was used to observe and interpret changes in the level of unit values through time, differences in the level of unit values between the two trade areas at a point of time, and differences in unit values between countries of the same trade area, as well as between countries in different trade areas.

In order to attain these objectives the data was subjected to three types of analysis. First, average unit value indexes (Fisher ideal) were constructed for exports and imports, separately for the Bloc and for the West, in the following manner

$$\sqrt{\frac{\sum P_n Q_o}{\sum P_o Q_o} \cdot \frac{\sum P_n Q_n}{\sum P_o Q_n}} \cdot 100$$

where P = unit value of the commodity
 Q = the physical amount of the commodity
 o = the base period, 1955
 n = the current period.

In all of the indexes (four all together) base period weights were used, when indicated. The year 1955 was chosen for the base period, because it appears to be the most normal year in the nine-year period. The after-effects of the Korean War had probably disappeared by then, and the far-reaching effects of the Revolution of 1956 were also avoided. Furthermore the years of 1953-1954 would not have been suitable for this purpose on account of somewhat disturbed domestic economic conditions.

The second method was used to compare unit values of individual commodities between the Bloc trade and the Western trade in the form of simple ratios of unit values for each year, separately for exports and imports.

The third method involved comparisons between the actual value of the sample and a hypothetical value, in the following manner:

$$\frac{\sum BP_n BQ_n}{\sum WP_n BQ_n} \cdot 100 = r$$

where BP = unit values in the Bloc trade
 BQ = quantities in the Bloc trade
 WP = unit values in the Western trade
 n = current period

and $\sum BP_n BQ_n$ = the actual value of commodities traded
 with the Bloc in terms of Bloc unit
 values (prices),

$\sum WP_n BQ_n$ = the hypothetical value of commodities
 traded with the Bloc in terms of
 Western unit values (prices),

r = the actual value of commodities traded with
 the Bloc as a percentage of the hypothetical
 value.

Unlike in the case of the index numbers, this method relates Bloc
 unit values to Western unit values at a point of time.³

³ This approach was suggested in two articles by Horst
 Mendershausen, "Terms of Trade Between the Soviet Union and Smaller
 Communist Countries, 1955-1957," The Review of Economics and
 Statistics, Vol. XLI, No. 2 (May 1959), Part I, pp. 106-119; and
 "The Terms of Soviet-Satellite Trade: A Broadened Analysis," The
 Review of Economics and Statistics, Vol. XLII, No. 1 (May 1960),
 pp. 152-164.

The information obtained by these methods is sufficient to
 throw some light on the role of unit values in the Hungarian mer-
 chandise trade, and to help evaluate pricing plans and practices of
 foreign trade planners.

Definitions

Unlike in the earlier uses, in this chapter the words "Bloc" and "West" (or "Western") are more limited. The "Bloc" consists of seven countries (outside Hungary, of course), i.e., Bulgaria, China, Czecho-slovakia, East Germany, Poland, Roumania, and the U.S.S.R. The "West" consists of Austria, Belgium, France, Italy, the Netherlands, Sweden, Switzerland, Turkey, the United Arab Republic, the United Kingdom, and Yugoslavia.

For the sake of simplicity, in place of the designations "the import sample of industrial raw materials" and "the export sample of agricultural and related commodities", the terms "import sample" (or "imports") and "export sample" (or "exports") are used. However, it must always be remembered that the samples used in this study are not representative of all commodity exports and imports.

Hungarian authorities applied the following rules in the valuation of the merchandise trade. All values represent contracted foreign values,⁴ converted by the official rates of exchange into

⁴In all contracts the value of the merchandise is fixed in a foreign currency acceptable to both parties. According to Csikós-Nagy (see p. 25), for the Bloc trade it is the ruble since 1957. For the Western trade the unit of account (and often also of settlement) is usually the U.S. dollar, or another hard currency.

Deviza Forints. For the years 1950-1951 and 1957-1958, inclusively, the value of merchandise trade was reported on the basis of exports

f.o.b. and imports c.i.f. Hungarian border. For the years 1952-1956, inclusively, valuation was made net of foreign exchange payments or receipts arising out of transportation services rendered or used by Hungary between her borders and the contracted place of transfer, provided that the place of transfer was outside Hungary.

Unit Value Comparisons

For the period 1950-1956, unit value indexes of exports as well as imports reveal a greater relative movement of unit values in the Western trade than in the Bloc trade. In contrast to export unit values, Western and Bloc unit values of imports tended to move in the same direction (Chart 1). The rise in the Western unit values of imports was more rapid between 1950 and 1951 than that in the Bloc unit values, relative to 1955. The sharp rise in the import unit values was probably caused by the general upward movement in world market prices during the Korean War. For the remainder of the first half of the 1950's, movements in the import unit values in the Bloc trade closely paralleled Western unit values. In the year 1957, the year after the Revolution, there was a sharp drop in the import unit values in the Bloc trade, probably in connection with the large loans from the Soviet and other Bloc countries. This was followed by an equally sharp increase in 1958, while Western unit values showed a gradual decline through 1957 and 1958.

There appears to be no discoverable parallel between the movement of export unit values in the two areas (Chart 2). Import unit

CHART I
UNIT VALUE INDEXES OF HUNGARIAN IMPORTS OF RAW MATERIALS
BY TRADE AREA, 1950-1958
(1955=100)

Source: Table 45.

CHART II
UNIT VALUE INDEXES OF HUNGARIAN EXPORTS OF AGRICULTURAL AND RELATED PRODUCTS
BY TRADE AREA, 1950-1958
(1955=100)

Source: Table 45.

values tended to rise in both trade areas rather markedly during the Korean War. However, in the case of exports, only the Western unit values showed an increase, while unit values of the Bloc trade decreased, relative to 1955. After the 1951 peak, which was some 30 per cent above the level of 1955, export unit values in the Western trade declined on trend for the remainder of the period. Export unit values in the Bloc trade appeared to have moved in the opposite direction from 1951 on. There was a very gradual increase up to 1954, followed by a slight dip, but 1957 and 1958 showed a sharp rise in the level of export unit values in the Bloc trade. The level of 1958 was about 25 per cent above that of 1955.

Comparisons between export and import unit values for the same trade area are bound to yield inconclusive results, for two reasons. First, as has already been pointed out, no general conclusions can be obtained from the indexes on account of the limitations of the samples. Second, even if the samples were truly representative of the entire Hungarian foreign trade, the problem of selecting a base period equally suited for both trade areas would still remain almost impossible. Nevertheless, assuming that 1955 was a year in which there had been no differential price advantage in Hungary's trade with the two trade areas, then a cursory inspection of the unit value indexes would show some differential movements between Hungary's terms of trade with the Bloc and with the West. At any rate, for the commodities in the sample, relative to 1955, Hungary's terms have been worse in her Western trade in 1951 and in 1957, and better in

1953 than her terms in the Bloc trade. For other years the differences appear to be insignificant (Charts 3 and 4). It must again be pointed out that these inferences are based on the assumption that 1955 was a good year for this type of comparison.

The second method used to investigate the structure of unit values seems to make up for some of the deficiencies of the index number method. A comparison of the ratios of individual unit values showed that in the case of exports in 45 instances out of 54 comparisons Western unit values were lower than Bloc unit values, while in the case of imports Western unit values were higher than Bloc unit values in 40 instances out of 60 comparisons (Tables 19 and 20). There is a rather heavy concentration of ratios of high value during the years of the Korean War, indicating that Western import unit values were not only increasing faster than Bloc unit values, relative to 1955, but were actually higher. Also, 7 of the 9 instances, when Western export unit values exceeded Bloc unit values, occurred in, and immediately after, the year of the Korean War. Except for these years, Hungary sold her exports at a higher price to the Bloc than to the West. The opposite seems to be confirmed by the ratios of import unit values, i.e., Hungary bought at a lower price in the Bloc than in the West.

The third method yielded probably the clearest measure of the difference between the unit values of the two trade areas. In the case of export unit values the hypothetical value of the sample fell short of the actual value in each of the nine years covered, except

CHART III

UNIT VALUE INDEXES OF RAW MATERIAL IMPORTS AND EXPORTS OF AGRICULTURAL
AND RELATED PRODUCTS IN HUNGARY'S TRADE WITH THE WEST, 1950-1958
(1955=100)

Source: Table 45.

CHART IV

UNIT VALUE INDEXES OF RAW MATERIAL IMPORTS AND EXPORTS OF AGRICULTURAL
AND RELATED PRODUCTS IN HUNGARY'S BLOC TRADE, 1950-1958
(1955=100)

Source: Table 45.

TABLE 19

RATIO OF WESTERN UNIT VALUES AND BLOC UNIT VALUES OF SELECTED EXPORTS, 1950-1958
(WESTERN UNIT VALUES ÷ BLOC UNIT VALUES)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Salami	1.62	.99	1.19	.80	.82	.75	1.02	.76	.84
Butter	.97	1.03	.98	1.12	.98	.92	.87	.64	.59
Sunflowerseed Oil	.83	1.16	.88	.72	.81	.74	.78	.81	.45
Corn	.67	1.38	1.28	1.05	.72	.77	.65	.61	.58
Wine	.63	.81	.63	.68	.85	.87	.66	.76	.77
Butcher Hogs	.70	.78	.64	.71	.81	.82	.75	.72	.42
<u>For Information:</u>	(1) Number of unit value comparisons: 54 (2) Number of comparisons in which Western unit values are <u>lower</u> than Bloc unit values: 45 (3) Percentage of comparisons in which Western unit values are lower than Bloc unit values: 83.3 percent.								

Source: Table 38.

TABLE 20

RATIO OF WESTERN UNIT VALUES AND BLOC UNIT VALUES OF SELECTED IMPORTS, 1950-1958
(WESTERN UNIT VALUES ÷ BLOC UNIT VALUES)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Iron Ore	-	2.65	2.48	2.69	1.94	1.69	1.74	1.34	.85
Sodium Carbonate	.88	1.34	.86	1.02	.94	1.05	1.10	.86	.90
Aniline Dye	1.29	1.74	1.80	.77	1.39	1.15	1.53	1.27	.98
Newsprint	1.27	1.13	1.26	.79	.96	.97	-	1.23	.78
Cotton	1.53	1.71	1.18	1.18	1.12	1.09	1.13	2.14	1.35
Synthetic Fibre	-	1.81	1.01	.73	.66	1.58	.82	.97	.99
Lumber	1.29	2.54	1.00	.94	.92	1.06	1.08	1.41	.97
For Information:	<p>(1) Number of unit value comparisons: 60</p> <p>(2) Number of comparisons in which Western unit values <u>exceed</u> Bloc unit values: 40</p> <p>(3) Percentage of comparisons in which Western unit values <u>exceed</u> Bloc unit values: 66.6 percent.</p>								

Source: Table 39.

in the Korean War year. In the import series there was no exception; in each year the hypothetical value of imports well exceeded the actual value of imports from the Bloc (Table 21). In both of these cases the findings seem to be clear: Hungary had a greater advantage in trading these commodities with the Bloc than with the West.

A comparison of average unit values between countries did not offer additional understanding of the significance of unit value differentials. Unit values were sporadically higher for some exports in one Bloc country as compared with another one, and the same is true in the case of unit values of Western countries. The specific causes which could explain these differences are probably numerous, and most of them are so unrelated and complex that in all likelihood no meaningful generalization can be obtained from an analysis of the causes. However, this does not detract from the significance of the influence which unit value differences exert on the composition of trade as well as on the balance on the merchandise account.

It was frequently pointed out earlier that the samples used in this chapter have their shortcomings. Although they may not represent a true cross section of total trade, nevertheless, the samples have certain features which may be used to illustrate the kind of difficulties Hungarian planners face. Each of the seven commodities in the import sample is an important industrial raw material for which there is no good domestic substitute available. Each of these imports supply two-thirds or more of the total domestic need, and

TABLE 21

A COMPARISON OF THE ACTUAL AND A HYPOTHETICAL VALUE OF SELECTED EXPORTS AND IMPORTS
IN HUNGARY'S TRADE WITH THE BLOC, 1950-1958
(HUNDREDS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Actual Value of Six Exports	142,752	131,667	235,317	200,736	222,909	191,649	192,900	143,507	198,691
Hypothetical Value of Six Exports	108,260	133,846	193,041	159,280	176,095	155,268	150,979	82,278	116,647
HYPOTHETICAL VALUE AS A PERCENTAGE OF THE ACTUAL VALUE	<u>76</u>	<u>102</u>	<u>82</u>	<u>79</u>	<u>79</u>	<u>81</u>	<u>78</u>	<u>57</u>	<u>59</u>
Actual Value of Seven Imports	464,712	667,229	773,248	675,417	827,116	701,792	587,977	583,817	797,071
Hypothetical Value of Seven Imports	665,132	1,335,164	979,697	860,835	1,005,228	859,772	732,003	942,496	857,518
HYPOTHETICAL VALUE AS A PERCENTAGE OF THE ACTUAL VALUE	<u>143</u>	<u>200</u>	<u>127</u>	<u>127</u>	<u>122</u>	<u>123</u>	<u>124</u>	<u>161</u>	<u>108</u>

Source: Table 44.

more than three-fourths of these imports originate in Bloc countries. It is reasonable to assume that Hungarian demand for these commodities is rather inelastic. Thus any rise in the price of these commodities should result in a sharp rise in the payments for imports. Other things being equal, the amount by which the trade balance might deteriorate in response to a rise in the prices of these commodities could be sizable and could easily impair Hungary's payments position. In contrast to the import sample, the share of commodities in the export sample as a percentage of domestic production is considerably less. Also, it seems, that the elasticity of foreign demand for these products is rather high, because Hungary sells these commodities in competition with other agricultural countries in the world markets. Thus, in the case of a deterioration in the trade balance arising out of an increase in the prices of imports, her only salvation lies in increasing her exports. However, Hungary's ability to increase exports is greatly limited. First, many of the most important exports, such as machinery and cotton textiles, rely almost exclusively on imported raw materials. Should the price of these imports rise, the corresponding rise in the cost of production of exportables could drastically limit export potential. Second, in the case of agricultural commodities and products of food processing industries, which do not rely on imports too heavily, the limit to export potential would soon be reached on account of low productivity and very high excess demand at home.

Conclusions

Bearing in mind the limitations of the samples, the following conclusions are suggested by the preceding analysis.

1. Unit values in the Western trade appeared to fluctuate more widely than those in the Bloc trade.
2. Import unit values in both trade areas showed greater tendency to fluctuate than those of exports.
3. Unit values of exports in the Western trade were generally lower, than unit values in the Bloc trade, while the opposite holds true for import unit values.
4. Hungary's trade with the Bloc, in terms of the six-commodity sample of exports and the seven-commodity sample of imports, was more favorable than her trade with the West.
5. With respect to the secondary objectives of this chapter, as outlined in the beginning, the results were inconclusive. Unit values were irregularly higher for exports and imports in some Bloc countries compared to others. The same was found the case of unit values of Western countries.

If Hungary were forced to trade the commodities in the samples at Western unit values, the effect of these price changes on the balance in the merchandise account would be considerable. In Table 22 a comparison between the actual and the hypothetical trade balance shows that trading the 13 commodities at Western unit values would

TABLE 22

A COMPARISON OF THE ACTUAL VALUE WITH A HYPOTHETICAL VALUE
OF TOTAL EXPORTS AND IMPORTS, 1950-1958
(IN MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Actual Exports	3,857.0	4,645.8	5,197.8	5,904.2	6,163.6	7,147.9	5,809.0	5,728.3	8,024.7
Actual Imports	3,706.4	4,625.6	5,207.8	5,531.1	6,018.9	6,274.0	5,472.6	8,011.3	7,407.0
BALANCE	+ 150.6	+ 20.2	- 10.0	+ 373.1	+ 144.6	+ 873.9	+ 336.4	-2,283.7	+ 617.7
Hypothetical Exports	3,822.4	4,648.2	5,155.6	5,862.8	6,116.7	7,111.4	5,767.1	5,688.1	7,942.7
Hypothetical Imports	3,845.1	5,293.4	5,414.3	5,715.9	6,192.3	6,438.1	5,616.4	8,370.0	7,467.4
BALANCE	- 22.7	- 645.2	- 258.7	+ 146.9	- 75.6	+ 673.3	+ 150.7	-2,681.9	+ 475.3
HYPOTHETICAL DETERIORATION (-), OR IMPROVEMENT (+) IN THE TRADE BALANCE	- 173.3	- 665.4	- 248.7	- 226.2	- 220.2	- 200.6	- 185.7	- 398.2	- 142.4

Source: Table 1, and Table 44.

have resulted in a minimum deterioration of 142 million Dft. and a maximum of 665 million Dft. in the Hungarian merchandise account. It is obvious that it would take a considerable cut in imports, or an increase in exports, or both, to right such a situation. However, if imports are geared to serve domestic developmental programs and if exports are limited on the one hand by low agricultural productivity and by imports themselves, on the other, the solution of the balance of payments problems arising out of the movement of Bloc unit values toward Western unit values could be very difficult. According to Karády, falling world market prices in 1958 worked out to the advantage of Hungary. Falling prices produced 130 million Dft. savings of foreign exchange, which was not fully offset by decreased foreign exchange earnings resulting from lower export prices to the West.⁵

⁵Gyula Karády, "New Trends in Our Foreign Trade," op. cit., pp. 1152-1153.

It must be obvious, that by the same token, an opposite movement in world market prices would have brought about undesirable results.

Finally, the question still remains concerning the relation of these unit values to world market prices. Mendershausen in his first study on Soviet export and import unit values concluded that the "Soviet foreign trade data shows evidence of discrimination at the expense of the smaller communist countries in Europe from 1955 to 1957."⁶ This was further reinforced by the findings of his second

⁶Horst Mendershausen, "Terms of Trade Between the Soviet Union and Smaller Communist Countries, 1955-1957," op. cit., p. 117.

study, according to which "increased differenciation in 1958 between Soviet export prices to Free Europe and the satellites, at the latter's expense"⁷ prevailed. There seems to be a conflict between the findings

⁷Horst Mendershausen, "The Terms of Soviet-Satellite Trade: A Broadened Analysis," op. cit., p. 162.

of Mendershausen and the information implied by the data in this study. However, the conflict is probably more apparent than real. The data in this study merely suggests that Hungary sold at higher prices to the Bloc than to the West, and conversely, bought at higher prices from the West than from the Bloc. This finding does not, in and of itself constitute a conflict with the Mendershausen conclusions, on the contrary, with the help of his findings it is possible to argue that the West as well as the Soviet may be engaged in price discrimination against Hungary.

Let P = world market price.

S_w = Soviet selling price (export unit value)
to the West.

S_b = Soviet selling price (export unit value)
to the Bloc, therefore also to Hungary.

H_w = Hungarian purchase price (import unit value)
from the West.

H_b = Hungarian purchase price (import unit value)
from the Bloc, therefore also from the Soviet.

- (1) Mendershausen found that $S_w < S_b$
 (2) In this study it was found that $H_b < H_w$
- Assuming that $P = S_w$ and $H_b = S_b$
- and substituting by P and S_b in
 (1) and (2), it follows that $P < H_b$
 and $H_b < H_w$
- Therefore $P < H_b < H_w$

that is, Hungary buys above world market prices in the Bloc as well as in the West, but buys at a still higher price in the West than in the Bloc. The converse is true if Mendershausen's results respecting Soviet purchase prices and the findings of this study respecting Hungarian selling prices are subject to the same type of reasoning. Accordingly, Hungary sells below world market prices to the Bloc and at still lower prices to the West.

Admittedly, from a theoretical point of view it is not conceivable that a country trading in world markets could trade at prices different from world market prices. However, in the case of Hungary, it is neither necessary nor inconceivable that her trade with the West should take place at world market prices. On the one hand, most of Hungarian trade with the West is broken up into bilateral segments, and much of it is occasional and infrequent. Thus, in the absence of regular and frequent transactions in a single market, it is quite possible that Hungary's Western trading partners discriminate against her, in regard to certain items bought from and sold to the West.

Hungarian planners have no control over the movement of world market prices, and have no great bargaining power by which to influence the agreement prices with either the West or with the Bloc. Prices prevailing in international trade represent a serious limitation to the freedom of planners choice in determining the course of domestic development. In addition to these, there are a number of other factors which limit planners' freedom. For instance the quantity and quality of domestic resources cannot be changed by economic planning, except to the extent that in the long run planned technological improvements may lead to more efficient utilization of resources. But for any plan-period domestic resources must be taken as given. Similarly, the domestic plans of other planned economies, and structural changes in the Western world cannot be controlled. Planners may choose to ignore these factors, but they cannot escape their limiting influence.

The purpose of the next chapter is to describe and explore the influence of these independent factors on planning and domestic economic development. In the course of this survey some understanding may be gained not only of the mechanics and the significance of the interaction between the international economy and planning for internal economic growth, but also of the efficiency of the Hungarian planning process.

CHAPTER V

THE INFLUENCE OF DOMESTIC FACTORS ON UNIT VALUE AND COMMODITY PATTERNS OF TRADE

The empirical evidence presented in the previous chapter suggested that the freedom of Hungarian planners is limited by the pattern of, and the changes in world market prices, as well as by the plans and practices of other Bloc countries. In addition to these factors planners must also cope with the realities of the quantity and quality of domestic resources; the disturbances arising out of changes in consumers' choices (however limited these choices may be); and lastly, with the limitations arising out of planning itself. The following is intended to be an appraisal of the efficiency of domestic planning in the light of the limiting influence of the domestic factors. The performance of foreign trade, as evidenced by the account in Chapters III and IV, could hardly have been the result which planners intended to realize. So far, all signs pointed toward the distinct possibility the planners were either deliberately ignoring the role of domestic factors in economic planning, or they were unaware of the limiting influence of the domestic resource pattern and consumer demand.

It does not seem possible to find a quantitative measure of the efficiency of planning, a measure which could adequately indicate whether or not planned economic performance falls short of, or

exceeds, some optimum achievement which would be possible under some other economic organization. Comparisons between planned performance and realized performance do not indicate which one of the two in fact approximated that level of economic activity which would be feasible in terms of the resource pattern of the economy and the other limiting factors enumerated above. The efficiency of planning may be regarded in two ways. First, it may be asked whether or not the plan is feasible in terms of the limits over which planners have no control, such as availability of resources, weather conditions, and changes in demand. Second, once it has been established that a plan is approximately an optimum one in terms of the limits, then a comparison between planned performance and realized performance may be useful in the evaluation of, what might be termed, the "executive efficiency" of planning. In this chapter an attempt will be made to evaluate the planning, as well as the executive ability of Hungarian planners, with particular reference to Hungary's foreign economic transactions.

Planning and Domestic Resources

It is well known that Hungary has been and still is primarily an agricultural country, relatively rich in agricultural resources but rather poor in energy and mineral resources. On the basis of energy resources, Hungary is, except for Denmark, the poorest country in Europe.¹ In 1953 Hungary ranked fourth in the per capita output

¹József Bognár and Imre Vajda, "Problems of Economic Cooperation Between Socialist Countries," op. cit., p. 836.

of coal, behind East Germany, Poland, and Czechoslovakia (in this order) in the Communist Bloc. Coal is the most important source of energy in the Hungarian economy. It represents 80 to 85 per cent of all domestic fuel consumption.² While domestic output of coal had

²Tibor Kiss, "Coal Supply of Our Country and the Joint Efforts of the Mutual Economic Assistance Plan; Countries for the Increase of Coal Production," GF, Vol. I, No. 12 (July 1957), p. 12.

risen significantly throughout the 1950's, the rise in the importation of foreign coal indicates that the domestic increases in output were not sufficient to meet the domestic requirements. Much of the domestic coal is of low quality, unsuited for coking; and therefore, domestic coal resources could not be counted upon to meet the increased energy requirement of the newly developed steel industry of Hungary. Almost all of the energy needs of the steel industry have been met from imported coal or coke. Kiss estimates, which is an interesting sidelight on the uneconomical character of Hungarian coal production, that the average calorie content of domestic coal is 3,300 calories per ton, as against the 6,000 calories contained in the average Western coal. He also estimates that the cost of domestic coal per ton is about 300 forints, while Western coal may be obtained at \$25 to \$29 per ton.³ A quick calculation shows that one

³Ibid.

ton of Western coal contains 1.82 times the calories of domestic coal. Converting the domestic forint cost of coal at the official rate of exchange into dollars, it turns out that one calorie in the West costs between .42 and .48 cents, while the cost of one calorie in Hungary is .78 cents. The high cost of coal production is a substantial burden in industries which rely heavily on energy consumption, such as the aluminum industry. Energy consumption in the aluminum industry amounts to approximately 20 per cent of all energy used in Hungarian industry.⁴

⁴Tibor Kiss, "Main Correlations Between National Income and Foreign Trade in Hungary," KSZ, Vol. IV, No. 6 (June 1957), p. 637.

Hungary is known to have the world's largest bauxite deposits. However, the advantageous resource position does not make Hungary a large, or even an efficient, aluminum producer. Bauxite and semi-processed alumina make up the largest portion of Hungary's export in this area. For years the biggest buyer of bauxite has been the U.S.S.R., but after 1955 its share declined absolutely as well as relatively in total bauxite exports, while the share of East Germany and Czechoslovakia increased markedly. The great distance involved in the shipment of the highly weight-losing bauxite was probably one of the reasons leading to the decline of Soviet purchases. Even if Hungary would have to purchase all the energy needed for large-scale

production of alumina, it would still be more economical for Bloc purchasers to help develop the aluminum industry of Hungary, possibly through long-term loans and have Hungary ship aluminum in repayment of such a loan.

The most efficient use of the bauxite resources has constituted a point of lively debate for some years now in the Hungarian journals. The debaters hoped to find out whether or not it would be economically advantageous to develop aluminum refining and processing in Hungary. Some argued, that on the basis of comparative prices of competing fuels, the use of crude oil in the generation of electricity needed for aluminum processing would be the most economical, provided that the processing of aluminum would not stop at the initial stages, but would be carried through several specialized stages of fabrication, such as the production of aluminum foils and precision aluminum products.⁵ Critics of this view were quick to point out a few omissions. Specifically questioned was that part of the

⁵See particularly György Markos, Vilmos Michaletzky and Sándor Balázs, "Problems of the Hungarian Bauxite and Aluminum Production," KSZ, Vol. IV, No. 10 (October 1957), p. 1047. In the article György Markos is introduced as a professor. Vilmos Michaletzky is a staff member with the Petroleum Trust. Sándor Balázs is a staff member with Közgazdasági Szemle (Economic Review).

calculations which pertains to the feasibility of using crude oil as the primary source of energy in the production of aluminum. It was pointed out that the transportation of crude oil in railroad tank cars is prohibitively expensive, apart from the fact that sufficient

rolling stock is not available. The development of pipeline transportation was rejected on the ground that the needs of the aluminum industry alone would not justify the cost of construction. The cost of an aluminum industry with a hundred thousand tons annual capacity was estimated to be between 3.3 and 4.5 billion forints. Such an amount, according to the critics, could be used better in the development of the primary energy resources of the country for which there is a much greater need.⁶ Basically, there were two areas of disagree-

⁶János Klár and Ernő Heidegger, "Some Remarks on the Question of the Economical Processing of Hungarian Bauxite," KSZ, Vol. V, No. 2 (February 1958), p. 214. János Klár is Chairman of the Scientific Research Department, Technical University of Budapest. Erno Heidegger is an assistant professor in the same institution.

ment which separated the first group and the second group. One was the question of priorities in the industrial developmental programs, the other area was how to measure the alternative cost of developing various interrelated areas in the economy. The discussion brought out that in the past the question of priorities has very often been settled on the basis of non-economic considerations, such as political expediency, "the common objectives of the socialist camp," or other, similarly vague, grounds.

Planning and the Efficiency of Investment

The problem of resources is only one among many, which reflect the inability of planners to calculate relative advantages and, therefore, to make the right decisions. The period of the first five-year

plan (1950-1955) particularly abounds in examples. Projects were undertaken with little or no regard for resources and for demand for the finished product. The target output of several enterprises was established arbitrarily, and most of the time it was not met by these enterprises. Target dates for the completion of new plants were not met. As a consequence, the operation of some industries was hampered by shortages of inventories, while other industries could not sell their output and realized substantial losses. The number one furnace of the Danubian Iron Works was scheduled to go into operation by December, 1953, but it was not completed until forty eight months later, in December, 1957. The Danubian Iron Works' steel plant, which was to play an important role in supplying the simultaneously developing machine industry, started operations in March, 1957, thirty nine months after the scheduled date of completion.⁷ The

⁷Ferenc Deák, Dezső Sóky and György Szende, "Planning and Profitability of Investments," SSZ, No. 1/2 (January/February 1957), p. 50.

majority of the new firms, which started to operate during the first five-year plan, did not meet the planned requirements of quantity, quality, and cost.⁸ In the heavy industry and in the food processing

⁸Ibid., p. 60.

industry, the new firms were still producing at a loss in 1954. At the end of 1954, 54.7 per cent of the new firms operated at a loss

ranging between 26 and 112 per cent.⁹ Some of the shortcomings of

⁹Ibid.

the investment policy pursued between 1949 and 1953 are further demonstrated by a ten-fold increase of uncompleted productive facilities between 1950 and 1953.¹⁰ In June, 1957, the value of uncompleted

¹⁰Tibor Kiss, "Main Correlations Between National Income and Foreign Trade in Hungary, "op. cit.", p. 655.

investment projects was estimated at 14 billion forints, which was approximately 13 per cent of the national income in that year, and 156 per cent of net investment in plant and equipment for the same year.¹¹ Communist critics observed that undue emphasis was probably

¹¹Ibid.

given to new projects and too little attention was paid to replacement and modernization of plant and equipment. In 1954 the new projects in industry contributed a trifling 5 per cent to total industrial output, while, for the same period, 20 per cent of all investment expenditures were directed toward the development of the new projects.¹² The average age of the productive equipment was too

¹²Ibid.

high in some industries. This was true not only in the machinery industry but also in the light industry and in food processing.

According to Bognár, these "unjustifiable deformations" resulted in low productivity and in the deterioration of quality which came into focus in Hungary's foreign trade.¹³ It must be remembered, that most

¹³József Bognár, "Problems of Our Foreign Trade," op. cit., p. 842.

of these industries were heavily involved in foreign trade, either as purchasers of raw materials or as exporters, or both. The too rapid and simultaneous development of all branches of heavy industry increased demand for domestic and foreign resources leading to periodic serious shortages of imported raw materials on the one hand, and to the accumulation of export inventories of rather poor marketability on the other.¹⁴

¹⁴József Bognár and Imre Vajda, "Problems of Economic Cooperation Between Socialist Countries," op. cit., p. 43.

Many of the industries showed clear signs of diseconomies of scale. In some instances the scale of operation was in excess of warranted domestic demand. The creation of excess capacity in these industries forced a feverish search for export markets. Only by increasing the exports of these industries with excess capacity, was it possible to bring average total cost near the optimum or minimum point.¹⁵ However, even when firms sometimes succeeded in operating

¹⁵József Bognár, "Problems of Our Foreign Trade," op. cit., p. 836.

at or near an optimum rate of utilization of capacity, production proved to be uneconomical in relation to the scale of operation and the corresponding minimum average total unit costs of firms producing and selling in the Western world.

Firms, which determine the world market price of trucks, manufacture them in quantities of twenty-five to fifty thousand annually. Should we want to produce trucks economically, it would be necessary that we, too, produce trucks at this annual rate. Since we do not make more than four to five thousand trucks annually . . . it is evident that our truck production cannot be very economical.¹⁶

¹⁶Gyula Karády, "Calculation of the Economic Character of Foreign Trade," op. cit., p. 120.

The rationale of the economies-of-scale argument was so convincing that some Hungarian writers regarded it as a cure-all for Hungary's economic ills. There were also some who clearly misunderstood the principle of the economies of large scale production and argued, for instance, that as long as countries like

Hungary and Rumania are the largest producers of corn, . . . in the future these countries will manufacture corn harvester combines. Poland is one of the world's largest producers of potatoes, Czechoslovakia's output is also significant; therefore, it stands to reason that they should make potato combines, and that in the future [Hungary] should buy the potato combines [it needs] for them.¹⁷

¹⁷Tibor Kiss, "Results and Possibilities of Cooperation Between Hungary and Other Countries of the Socialist Camp," KSZ, Vol. III, No. 7/8 (July/August 1956), p. 796.

The Effect of Consumers' Choice on Planning

In more recent years it has increasingly been recognized in Hungary that the buying and spending habits of consumers may constitute a serious threat to the success of planning. "When consumers are dissatisfied because of shortages in consumer goods, they feel ... that it is useless to work, [and] they question the effectiveness of the Socialist world order."¹⁸ In addition to the damages to public

¹⁸József Bognár, "Some Theoretical and Practical Problems of the Socialist Way of Research in Demand," KSZ, Vol. VI, No. 5 (May 1959), p. 457.

morale and to the popularity of the regime, planners may not be able to control the bad economic effects of the excessive limitation of consumption.

Unsatisfied demand seeks an outlet. If the particular commodity can also be produced [by small private firms or individuals], or if it may be obtained from foreign [gift] parcels, then prices begin to rise and a black market develops. If after a period of time we decide to eliminate the shortage and to satisfy demand, then precautionary buying must be expected, because the consumer will at first regard the opportunity to buy . . . a "lucky accident", a transitional opportunity.¹⁹

¹⁹Ibid.

Thus, even within its narrow limits, consumer choice seems to exert a disturbing influence in the planned economy.

At times of inflationary threat, consumers tend to shift their purchases toward more durable, non-food items. The effect of the changing decisions are quite pronounced in the monetary system as well as in the distributive trades. Vági recognizes that the private sector cash balances are held for transaction purposes; precautionary purposes; and, of course, speculative reasons.²⁰ He thinks that

²⁰Ferenc Vági, "The Amount of Money in Circulation and the Cash Money of the Population," KSZ, Vol. V, No. 11 (November 1958), p. 1124. The author is a staff member of the Institute of Economic Sciences.

balances held for precautionary or speculative reasons tend to be unreasonably high because of the periodic sharp shortages in consumer goods, and because consumers usually seek very actively the speculative employment of their balances in scarce commodities, particularly in the unregulated markets of the private sector in agriculture. These practices tend to interfere with the "improvement of the consumers' food supplies on the one hand, and the success of newly organized farm cooperatives on the other."²¹ The prescription

²¹Ibid.

suggested for the alleviation of periodic panic buying is to "hunt down speculative funds and absorb them in the productive economy for more responsible uses,"²² a scheme, the success of which is rather doubtful.

²²Ibid.

Unexpected changes in consumer demand also show up in the periodic accumulations and depletions of retail and wholesale inventories. Apparently the disturbances from this source must have been rather great, as indicated by a variety of suggestions made to eliminate errors arising out of improper estimates of consumer demand. Speaking of the theoretical-analytical problem created by consumer demand, Bognár notes that,

one part of the conclusions [derived from demand analysis] has only limited significance; they are valid only under unchanging circumstances, which never exist. Just the same, these curves and coefficients point up some tendencies which must always be taken into account when economic decisions are formulated. Changes in the coefficient of demand elasticity depend on changes in income, consumption habits [They] illustrate the nature of the commodity dimensionally . . . and guide [the decisions of] the authorities and the selling organs.²³

²³József Bognár, "Some Theoretical and Practical Problems of the Socialist Way of Research in Demand," op. cit., p. 463.

The discovery that the autonomy of consumer demand cannot be ignored in drawing up economic plans resulted in the new trend of planning for consumer goods output and prices through market research. One of the areas in consumer goods was thoroughly researched. In course of this study which was conducted in the clothing industry, it was found that of all ready-made men's apparel of normal sizes only 13.4 per cent could be sold with only the standard alterations.²⁴ It was

²⁴Ibid., p. 471.

also found that the demand for men's apparel is highly income elastic, which is not surprising. The problem of market research seems to be a controversial topic for the proponents of a centrally controlled economy. Once it is admitted that demand does have a role in the process of allocation, it becomes difficult to decide to what extent planning should be entrusted with allocation of resources to meet consumer demands. Not that there is much doubt about the possibility of drawing up a national plan for the economy or even carrying it out; rather it is the question of how well does such a scheme operate and by what tests can any plan be regarded as the best of all possible solutions for the attainment of a given objective. Bognár did not consider these problems; instead, he chose to criticize the philosophical foundations of the capitalist economic order. He minimizes the importance of the individual's role in the "aggregate realities" of the national economy. However, after having said that which was expected of him, he then continued on to say that "what has been said about the relation between the part and the whole, does not mean that the behavior and the motives . . . of individuals have no place in the investigation [of consumer demand]." ²⁵

²⁵Ibid., p. 461.

One of the greatest impediments to planning seems to arise out of the planners' inability to detect or predict a trend in prices,

output, and other important economic variables. In the international economy it is not only the number of variables which creates a problem, but also the complex interrelation which exists between several of these variables, at home and abroad. Large parts of the economic plans are vaguely drawn up and are carried out only with constant and substantial changes in response to changes in the most important variables.

This is the situation, for instance, with respect to a substantial part of the foreign trade volume with capitalist countries, because changes in world market prices, international trade practices of foreign countries, and so on, can scarcely be anticipated. This creates certain difficulties in economic planning, mainly for the smaller socialist countries, since in their case the value of foreign trade in relation to national income is substantially greater than in the bigger socialist countries In making long-run foreign trade plans with capitalist countries it is more reliable to project transactions on the basis of physical units than on the basis of value units. The reason for this is that it is easier to measure Hungary's needs, not only for various raw materials but also for consumer goods of foreign origin [in physical units rather than in value units], provided that domestic prices remain unchanged. Similarly, excesses of output over domestic requirements are also measurable [in physical units] for export purposes. In contrast with this, expectations regarding value data are uncertain beyond comparison. Nobody can anticipate for years ahead price variations in raw material and finished goods markets.²⁶

²⁶István Varga, "Some Thoughts on the Improvement of Planning Methods in the National Economy," op. cit., pp. 153-154.

However, Varga fails to emphasize that the relative ease of calculating the quantitative requirements of domestic and foreign trade, in no way insures the profitability of a foreign trade plan. As long as planners proceed to draw up plans on the basis of physical amounts, they can avoid the difficulties in estimating price movements but they cannot avoid the effects of price movements. Should they succeed in the fulfillment of foreign trade plans based on physical amounts, the balance of international payments may still be adversely affected because of possible changes in the prices of internationally traded goods. Alternatively, if they would seek to avoid adverse payments balances arising out of price movements, then they would have to alter the plan by changing the physical amounts of imports and exports. The latter means that the domestic economy must be opened up to the influences of structural changes in the rest of the world. This is the very prospect which the planners steadfastly seek to avoid. This problem arises not only in connection with the Hungarian-Western trade, but it is essentially the same in Hungary's trade with the Bloc countries. Tatár and others tend to regard the Western market and the Bloc market as a single unit in many instances. For example, as world market prices for machinery and equipment fall, prices of Hungarian machinery exports in the Bloc trade also decline because of the "unwillingness of socialist countries to pay more for the products of our machinery industry than the world market prices."²⁷

²⁷István Tatár, "Timely Problems of Our Foreign Trade," op. cit., p. 189.

Poor quality, the high rate of rejects, and the widely prevalent disregard for the keeping of production schedules in many export industries, add to the above problems. For instance, the exportation of medical instruments decreased greatly because of the antiquated nature of these instruments. Experts in the field were not familiar with the most up-to-date techniques and technology.²⁸

²⁸Miklós Szabó, "Some Problems with the Export of Hungarian Medical Appliances," KÜLKER, Vol. II, No. 2 (February 1958), p. 21.

Elsewhere it is noted that the rejects of exports in the first three quarters of 1958 were 6.8 per cent in the heavy industry and 7.7 per cent in the light industry.²⁹ Specifically, the reject rate for

²⁹Lajos Rév, "Our Foreign Trade During the First Three Quarters of 1958," PARTÉLET, Vol. III, No. 12 (December 1958), p. 22.

radio receivers increased from the 24 per cent figure in the first quarter to 30.3 per cent in the third quarter. In the Orion factory, makers of television sets, the reject rate "frequently reaches between 60 and 70 per cent."³⁰ In the Sopron clothing factory in the

³⁰Ibid., p. 23.

first quarter the reject rate was 36.4 per cent, in the second 49.8 per cent and in the third 23.6 per cent."³¹ The high rate of rejects

³¹Ibid.

is particularly "fatal", because "almost all raw materials used in industrial production are imported."³² Still in another instance

³²Ibid., p. 24.

the export cooperative for the manufacture of fancy leather goods (evidently the only one of its kind) had one hundred and fifty-five members before the Revolution of 1956. By mid-1957 the cooperative lost almost one-half of its members. Total output in 1956 was 12½ million forints, of which 11 million forints worth were exported and the balance was sold on the domestic market. In 1957 it was expected that total output would fall by 4½ million forints. Members left the cooperative because "the export work is not attractive." In the export cooperative the average monthly earnings were about 2085 forints, while in the domestic trade in the private sector, or in domestic cooperatives, craftsmen may receive as much as 2600 forints a month.³³

³³K.N., "What Factors Hinder the Development of Exports in a Fancy-Leather Goods Cooperative," GF, Vol. I, No. 15 (August 1957), p. 13.

Conclusion

The foregoing analysis shows clearly that central economic planning in Hungary failed in many ways. The planners failed to take into account the domestic and international limitations of planning. Planning was inefficient not only in the sense that it was unable to anticipate in sufficient time changes in the independent variables which enter into the determination of the magnitude, direction and composition of the economic developmental programs, but even when the changes in these variables were clearly recognizable, planners failed to react quickly, and failed to make the proper adjustment in the composition and magnitude of domestic output as well as in the composition of the exports and imports. Starting with the year 1954, Hungarian economists became increasingly aware of the unfortunate absence of a flexible adjustment mechanism, not only in Hungary's trade with the West but also between the Communist countries in the East European Bloc. It was increasingly recognized that insufficient attention was paid to the interrelation between domestic developmental programs of the several Bloc countries and Hungary. "We asked for commodities from friendly nations which these nations could not sell at all or only in limited quantities, and we offered them exports which at the time friendly nations did not require at all or not in the amounts offered."³⁴ The

³⁴József Buzás, "Ten Years of Development of Our Foreign Trade," KSZ, Vol. II, No. 3/4 (March/April 1955), p. 462. The author is a Docent in the Department of Foreign Commerce, Karl Marx University of Economic Sciences.

essence of the solution was, as seen by a host of writers on this topic; first, to find a measure of economy or efficiency; second, to recognize the limits to economic growth peculiar to each of the Bloc countries; and lastly, to create a mechanism which continually and smoothly adjusts and reconciles the differences remaining in the domestic plan of each Bloc country. As long as these objectives remain unrealized, the broader objective of economic integration within the Soviet Bloc is not attainable. What Hungarians thought about the prospect of economic integration, and what they did during the last few years of the 1950's to realize economic integration within the Soviet Bloc, will be discussed in the next chapter.

CHAPTER VI

THE INTERNATIONAL ECONOMY AND PLANNING FOR DOMESTIC ECONOMIC GROWTH: THEORETICAL AND PRACTICAL CONSIDERATIONS

In the previous chapter an attempt was made to explore the nature and scope of the difficulties in Hungary's domestic economy and in her foreign trade, as well as to find some of the most important causes which explain those developments. It was found that mostly because of the large share of international trade in Hungary's economic life, her balance of payments position was quick to respond to structural changes in the free world, changes in the domestic plans of other planned economies, and to changes in the magnitude and composition of domestic output. The latter, in turn, was subjected to the joint influence of the quantity and quality of domestic resources and changes in consumer demand on the one hand, and the terms of international exchange on the other. Given these independent variables, it was, then, the function of planning to organize domestic production so as to "maintain domestic full employment, the standard of living of the population, and to foster economic development," without causing at the same time a deterioration in the international payments position as well as the terms of trade of the country.¹ On the basis of the statistical evidence and by their own accounts, the Hungarian planners failed to realize these objectives.

¹József Bognár, "Problems of Our Foreign Trade," op. cit., p. 837.

The "Economy Debate"

Under the impact of rapidly deteriorating economic conditions and encouraged by the milder economic climate of the post-Stalin era, a far-ranging discussion ensued in the Hungarian professional literature as to the causes and remedies of the economic difficulties. Most writers agreed that the probable causes of the difficulties may be found, first, in the specific inefficiency of firms or an industry; second, in the inability of planners to set realistic objectives; and third, in the efficient execution of plans even when they are realistic in terms of optimum limits. Also, the lack of cooperation among Bloc countries in the area of international transactions contributed to the difficulties. Initially the debate was limited to the proposition that if Hungarian foreign trade is inefficient, then it should be possible to find a measure of its inefficiency. At first there was no disagreement concerning the question of the desirability of measuring efficiency. However, disagreement soon developed on the questions where to measure efficiency, and how to measure it. There were those who argued that changes in the magnitude of the subsidy given to foreign trade enterprises is prima facie evidence of the changes in the efficiency of the sector. Others were quick to point out that while the direction of change in

the amount of subsidy given to the foreign trade enterprises is a fair indicator of efficiency, nevertheless, this measure alone contains no indications with respect to the specific causes of the changes in efficiency. The latter group sought to probe into, and to measure the productivity of enterprises producing for exports. During the early years of this long-drawn debate, it was implicit in all arguments that a solution to these problems can be obtained without changes in the then prevailing institutional setting and in the economic policy of the country. However, eventually the debate was extended beyond the narrow confines of technique and method, and it began to approach the limits of orthodox ideology on which much of the planning policies and practices were based. Thus, in time, the debate became broad enough to include, in addition to technical and methodological problems, theoretical and ideological considerations as well.

Integration by Way of the Market

The main obstacle in the path of creating specific measures by which productivity and, therefore, the efficiency of individual enterprises could be judged, was posed by the peculiar system of planned prices. Time and again it was pointed out that, for instance,

a credit or debit in the balance of payments does not influence the price level in a planned [economy]; . . . the level of prices, the price system, and the price structure of [these] countries are very independent from each other. . . . The Socialist world market does not possess an automatic equilibrating

mechanism capable of regulating the volume of exports and imports by the way of the exchange rate and the domestic price level. Moreover, the level of prices in the socialist countries probably depend to a lesser extent upon each other, than upon the level of prices in the capitalist world markets. . . . The result of this is to make calculations for the economic efficiency of exports difficult and uncertain.²

² György Göncöl, "International Economic Relations in the Transition Period," KSZ, Vol. III, No. 7/8 (July/August 1956), p. 824. The author is a department head in the Institute of Economic Sciences.

Nevertheless, isolated attempts have been made to measure and compare the productivity of domestic enterprises with the productivity of similar enterprises in the free world. Admittedly, the value of the conclusions in these studies was greatly reduced by the usual difficulties inherent in such comparisons, such as differences in quality, skill and the like. However, in spite of these limitations, the conclusions gave rise to severe criticism not only on methodological and theoretical grounds, but also on ideological grounds.

The investigations into the efficiency of foreign trade brought to light many problems. It had become evident, that as long as Hungary wished to pursue a domestic economic program which called for the maintenance of full employment, increasing standard of living, and a balanced development of agriculture and industry, at a rate envisioned during the first five-year plan, it would be necessary to continue to maintain a large volume of international trade with the West, as well as with the Bloc. However, there was good reason to

suspect that the terms under which Hungary traded with the rest of the world seriously limited the realization of domestic objectives. It was also realized that because of its small size, Hungary always tended to buy in a sellers market and sell in a buyers market. As a result, Hungary's payments position and credit, particularly with the West, deteriorated rapidly. This situation called for radical solutions.

Fundamentally, two solutions were offered. One was to withdraw from international markets, and the other to reorganize production and the price system so that productivity and domestic price-cost relations would conform to productivity and price-cost relations in the rest of the world. The first of these solutions was never entertained seriously.

To strive for self-sufficiency in a country with limited natural resources leads to deterioration of the standard of living. The farther the country departs from the optima of international division of labor, the greater will be the deterioration in the standard of living.³

³Tibor Kiss, "Main Correlations Between National Income and Foreign Trade in Hungary," op. cit., p. 643.

With respect to the second solution, views were seriously split arising out of the realization that Hungary cannot sever trade relations with the West. Should it do so, the first solution would be obtained, which is clearly not desirable. Therefore, some suggested that domestic industrialization programs can be efficient only if the economy fully participates in the international division of labor and

specialization. This would call for a rationalization of the domestic system of prices, and the reorganization of domestic production.

These suggestions were met with vehement objections from many quarters.

Göncöl warned that

the Ricardo-Mill scheme [of comparative advantages] cannot find application either in the socialist-capitalist foreign trade context, or in the trade among socialist countries. However, since the Ricardian theory of international trade has gone through a fleeting renaissance in the heads of some of our economists, it is appropriate to make a few theoretical remarks [on this]. A socialist industrialization program cannot comply with the theory of comparative advantages, unless the country . . . wishes to surrender its objectives for the attainment of economic independence. . . . This question has been settled by Lenin and Stalin in their fight against rightist deviationism.⁴

⁴György Göncöl, "Marxist Theory of Foreign Trade; Historical Difference Between the Starting Points of Ricardo and Marx," KSZ, Vol. II, No. 11 (November 1955), p. 1293.

Elsewhere, the same author stated that the kind of automaticism which characterizes the adjustment process in the capitalist economies is not "and it cannot be" present in the socialist world market, because it is nothing more than the "manifestation of the anarchy of production in an international context. However, it is absolutely necessary to discover the socialist counterpart of the automatic adjustment between production and foreign trade."⁵ In spite of Göncöl's appeal

⁵György Göncöl, "International Economic Relations in the Transition Period," op. cit., p. 826.

to the final authorities in Communist ideology the economy debate did not come to an end. Critics of the Göncöl view quickly pointed out that the principle of comparative advantages does have its "rational nucleus," moreover, even

the Twentieth Congress of the Soviet Communist Party observed that "there is no longer any need for all socialist countries to develop every branch of the heavy industry, the way the Soviet Union was forced to do it. . . . Today it is possible for each of the European Peoples' Democracies to develop that branch of industry, and to specialize in the production of those commodities in which it has the most favorable natural and economic conditions."⁶

⁶Sándor Balázs, "Economic Character of Foreign Trade," op. cit., p. 317.

Hungary's dilemma seems to be clear. If the country wishes to increase the rate of economic growth, the standard of living, and to ensure continued full employment, it will have to continue to keep up a large volume of international transactions with both trade areas. In the course of the economy debate it has become increasingly clear that the "imports first" view is, to say the least, not workable. As long as between 20 and 25 per cent of all imports are bought from Western countries on Western markets, the terms under which these imports are acquired cannot be ignored, because of the effects which a deterioration in the terms of trade may have on the cost of domestic investment, production, and the level of consumption. The realization has come slowly but surely that Hungary cannot command her own terms in international transactions in either of the two major

trade areas. Hungarian experiences in the Western markets provided planners with the measure and the proof of the uneconomical character of Hungarian foreign trade. The economy debate helped to provide some of the possible solutions to the country's economic difficulties. Thus, if Hungary wished to preserve its long-range economic objectives, it would be necessary that certain structural changes be made in the area of production, which would reflect the rationale of the principle of comparative advantages. This would also necessitate the reorganization of foreign trade solely on the grounds of economic considerations. However, such a rationalization of production and international trade would make great inroads in the autonomy of planners. The effects of a reorganization could hardly be confined to those industries which come directly under the influence of Western markets, because of the interdependent character of domestic production processes. In the final analysis this could lead to Hungary's economic integration with Western markets, which is unthinkable under the present political system. Karády makes it quite clear that in the determination of the direction and composition of foreign trade, "primary role is given to . . . political objectives which cannot be quantified. Therefore, the views of those who want to develop the objectives of foreign trade solely on grounds of economic considerations, are incorrect."⁷ Thus, clearly, political

⁷ Gyula Karády, "Calculation of the Economic Character of Foreign Trade," op. cit., p. 116.

considerations override economic reason.

Integration by Way of Plans and Agreement

In principle, there are no political obstacles in the path of developing full economic cooperation among the nations of the Communist Bloc. Yet, as in the case of Hungary, it seems to be more difficult to find the criteria of economic integration with the Bloc than it is with the West. In the Western world, generally accepted and widely prevalent social habits guide and coordinate economic processes within a country and, to some extent, even among countries. The similarity in the economic institutions of Western countries, particularly the similarity in the formation of prices in markets, tends to insure optimum allocation of resources. However, price formation in planned economies is an arbitrary process; it lacks the spontaneity of market processes. Therefore, prices tend to distort, rather than to reconcile, the difference between the desired and the feasible, and in doing so they perpetuate, rather than eliminate, misallocation of resources. In this respect all planned economies tend to be similar, but this similarity is hardly an adequate foundation on which to build Bloc-wide economic cooperation. On the contrary, the arbitrariness of pricing policies impedes progress toward economic integration in the Bloc, because it makes the comparison of production costs impossible, which is the only way to measure relative advantages. Göncöl conceded that as long as there is a discrepancy between the official rates of exchange and a rate which would adequately reflect the difference in the purchasing power of the

monetary media of Bloc countries, it will be "almost . . . impossible to solve the problem of cost comparisons" and the absence of inter-relation between costs and prices will continue to "confine economic cooperation within a narrow, bilateral framework" which slows down the attainment of a larger volume of trade among the Bloc countries.⁸

⁸György Göncöl, "International Economic Relations in the Transition Period," op. cit., p. 820.

Most writers on this subject, particularly Göncöl, talk vaguely about the need to define "the conditions of the socialist economic world order," or about the "autonomous laws to which the parts [Bloc countries, no doubt] are subordinated," but offer only a few hints as to the meaning of their suggestions.

The debate has made one point clear; that is, that "while the experiences of the Soviet Union [in economic development] are indispensable, nevertheless, they cannot be simply emulated, because there is no historical experience available on economic cooperation among socialist countries."⁹ Thus, from the point of view of the Hungarian

⁹Ibid., p. 816.

Marxists, this leaves the terms and conditions of economic integration by and large unsettled. It is clear to all of the writers that cooperation is needed, but the means of attainment of this goal is uncertain and is subject to continued debate. However, one realization

stands out clearly, namely, that

without taking into account contacts with the capitalist world markets, economic cooperation [among Bloc countries] can only be imperfectly organized. Conversely, without perfecting economic cooperation [among Bloc countries] any increase in the contacts with the capitalist world can come about only by trial and error, and by unnecessary sacrifices."¹⁰

¹⁰ Ibid., p. 817.

A few exploratory steps were taken toward Bloc-wide economic cooperation within the framework of the C.E.M.A. The most notable of these attempts was the agreement on multilateral clearing among member governments of the C.E.M.A., signed on the 20 of June 1957, in Warsaw. The intent of the agreement is similar to that of the E.P.U. agreement.¹¹ Its primary purpose is to develop and facili-

¹¹ An unofficial translation of the full text is reproduced in Appendix II.

tate multilateral clearing among participating countries. In terms of the agreement, a Clearing Agency was created which would entrust the clearing process to the state bank of the Soviet Union. The Clearing Agency will have the power to grant short term credit up to 3 per cent of the value of each country's total exports during the previous year. Should this limit be surpassed by any country, punitive rates of interest will be charged, and any balance in excess of the limit must be paid off within three months. A member country may withdraw from the agreement at any time, provided that any debt it

owes is paid off within three months in gold or freely convertible currency. Up to this time there has been no indication on the implementation of this agreement.

Göncöl states that there can be no doubt about "the superiority of the socialist economic world order. . . . However, this theoretical superiority must be made effective in practice, and all of our economic problems arise in connection with this [attempt] ."12

¹² György Göncöl, "Note on the Problems of the International Division of Labor," KSZ, Vol. VI, No. 8/9 (August/September 1959), p. 821.

State Trading and Domestic Planning Reconsidered

It was indicated in Chapter II that because of Hungary's difficult payments position, increasing attention was devoted to the structure and the operation of the foreign trade enterprises. A measure was suggested and adopted for the decentralization of some foreign trade enterprises which has given greater autonomy to individual enterprises in the area of foreign trade. This measure, along with a few others, such as the introduction of new incentive plans and the setting up of higher educational standards as a condition of employment in foreign trade, were the only changes effectively carried out in the area of foreign trade so far. Suggestions abound, but very few have been converted into action, and even the ones accepted and carried out, have been plagued by general inefficiency, by incompetence, or were drowned by criticisms. The inexperience of workers

in foreign trade and of the leaders, too, arising out of the absence of direct contacts with the trading world, has made many of the Hungarian trade practices inefficient, out-of-date, and outmoded. In this connection Karády mentions that more and more of the personnel of the foreign trade enterprises travel abroad to establish contacts with other trading countries and to study their practices in the hope of eliminating obsolescent and inefficient practices.¹³ It seems,

¹³ Gyula Karády, "New Trends in Our Foreign Trade," op. cit., p. 1155.

however, that the larger share of the blame for inefficiency goes to the policy makers, and not to the practitioners in foreign trade. Following the Revolution of 1956, the reconstruction of economic life was carried out essentially according to the old industrial patterns, and according to the same distribution of resources between industrial and agricultural programs. Thus, there would have been a chance in 1957 to eliminate some of the structural inefficiencies in Hungarian industry, but as Tatár puts it,

our present domestic situation does not permit immediate structural changes in industry, because this would increase the danger of unemployment. Nor is it possible to change the structure of exports and imports, as a matter of fact, we are not far from the truth in saying that [changes of this kind] . . . are impossible. At the same time, we must clearly recognize the problems of structural change in foreign trade, which will have to be solved in the years to come, if we do not want to avail ourselves endlessly to large loans, or to expose ourselves to the lowering of the standard of living of our people.¹⁴

¹⁴ István Tatár, "Timely Problems of Our Foreign Trade," op. cit., p. 190.

Tatár offers a five-point program for Hungarian economic reform. First, the structure of industry must be so changed as to reduce imports in industries which have high raw material requirements. Second, the exportation of labor-intensive products must be increased. Third, the direct interest of producers in the profitability of exports and greater efficiency of production should be encouraged by reforming the system of planning and the price system. Fourth, technologies, particularly in export industries, should be increased. Fifth, agricultural production should be increased, particularly in those areas which produce satisfactory foreign exchange income.¹⁵

¹⁵ Ibid.

What the cost of such a reform would be, cannot even be guessed. Years of accumulated "deadwood" would have to be eliminated from the Hungarian economy. The core of the country's heavy industry, iron, steel, and the machinery industry, would have to be reorganized and greatly reduced in size, and human skills would have to be increased, before these industries could once more operate economically. Whether or not such a "de-industrialization" is economically feasible is not in doubt. However, what can be doubted seriously is the political feasibility of such a reform. Karády and others have made this emphatically clear.

CHAPTER VII

CONCLUSIONS

In an early part of this study four criteria were established for judging attained integration between Hungary and the Soviet Bloc. According to these measures Hungary would be regarded as having achieved perfect integration, first, if all of its trade would take place within the Bloc; second, if Hungarian export prices and import prices would be the same in both the Bloc and Western markets; third, if these prices were free from the influence of world market prices; and fourth, if equal treatment were accorded to Hungary by all Bloc traders, and vice versa. Except for the third condition, for which the results were inconclusive, findings for the other criteria indicate that the Hungarian economy is imperfectly integrated with the Soviet Bloc.

Domestic programs for development of industry and agriculture failed to strike the right balance between the two, not only in terms of the domestic limitations on production and capital accumulation, but also in light of the changes in the international economy. In the area of foreign trade this resulted in the deterioration of the terms of trade and in the balance of payments, particularly in the Western trade. The pace set for the domestic industrialization program was too rapid, too much emphasis was placed on the development of the heavy industry, which made the economy disproportionately

dependent on the importations of industrial raw materials. The same programs failed to develop agriculture simultaneously which eventually brought about the importation of agricultural commodities. The rapid growth in the importation of basic industrial raw materials and agricultural commodities forced an uninterrupted increase in exports. In Tatár's words,

a desperate race developed between exports and imports which led to a chain of acute measures. As a consequence, national economic management began to be characterized by chaos and improvisation.

István Tatár, "Timely Problems of Our Foreign Trade," op. cit., p. 194.

In the volumes of comment on Hungary's economic plight, the causes as well as the remedies were identified correctly and discussed freely by most Hungarian commentators. However, only very few of the suggestions were converted into action. The limited decentralization of state trading or the introduction of a system of financial incentives into foreign trade enterprises cannot by itself offer solutions to the more fundamental problems of misallocation of resources. If, for instance, the findings in Chapter IV are indicative of the relation between Western prices and Bloc prices in Hungary's trade, then it must be obvious that with the present structure of her economy, Hungary cannot carry on a more extensive trade with Western countries. Should Hungary be forced to supply the new industries with raw materials from the West and sell the products of

these industries in Western markets, a catastrophic deterioration in her balance of payments would be the result, if the terms of trade were unchanged. On the other hand, should she attempt to balance her trade, it could be done only by allowing imports as well as exports to fall to a level which would be compatible with a level of output of domestic production, substantially below the full employment level. In contrast, in the Bloc system of arbitrary costs and prices, where profits and losses do not govern the use of resources and the rate of output, it is conceivable that inefficient industrial operations in Hungary can continue to use inefficiently produced although scarce resources of other Bloc countries in exchange for inefficiently produced Hungarian products. Thus, the second conclusion of this paper is that the maintenance of full employment in Hungary, given the present structure of production, depends on the continued trade with the Bloc and particularly with the Soviet Union.

There is no conflict between the first and the second of these conclusions, because economic dependence does not equal economic interdependence which is economic integration. The continued maintenance of full employment depends in fact on Hungary's ability to obtain the necessary raw materials for the operation of the newly developed industry. The Soviet Union, as the largest supplier of raw materials and the largest buyer of the finished products in the steel industry, in the machine industry, and in the cotton textile

industry, single-handedly can influence employment and output in these industries, and thereby can exercise a forceful economic leverage in Hungary's political affairs.

While it seems to be in the realm of speculation, it may not be far from the truth to say that it is to the best political and strategic interests of the U.S.S.R. to maintain a core of inefficient industries in the Hungarian economy. There have never been any traditional ethnic, political, or economic ties between Hungary and the Soviet Union, and it is doubtful that during the last 16 years the Hungarian people would have developed a spirit of spontaneous cooperation with the U.S.S.R. The Revolution of 1956 was indicative of quite the opposite. The liquidation of the Revolt also showed that the Soviet Union intends to keep Hungary in the Bloc. Thus, if the U.S.S.R. wishes to continue to maintain control over Hungary, it cannot rely on the allegiance of the people but must find other means.

The U.S.S.R. has exercised control over Hungary in different ways during the past 16 years. During the early years of its domination the Soviet military administration maintained tight control over a broad range of Hungarian political and economic life. Eventually, Soviet control was shifted from the overt military to the less conspicuous, but equally effective, economic control. A significant area of the economy was brought under the influence of the Soviet-Hungarian mixed companies. Both of these means, that is, the military and ownership controls, seem to have had one short-coming from

the point of view of the U.S.S.R. They tended to show clearly the true nature of the relationship between Hungary and the U.S.S.R. In contrast, under the present arrangement Hungarian political and economic life has the appearance of being free from Soviet domination. The Soviet Union does not own productive resources in Hungary, and the presence of some Soviet military troops has been justified on the same grounds as the presence of the United States forces in the N.A.T.O. countries.

There is a propaganda advantage in maintaining an image of friendly neutrality. The U.S.S.R. could not preserve such an image by exerting control over another country either through military domination or through direct ownership of key resources. However, in Hungary the U.S.S.R. has succeeded within the framework of trade and developmental aid to create industries which command a large share of domestic employment, which must rely on foreign raw materials for their continued operation, and on foreign markets for their finished products, and which are uneconomical to operate. In terms of Western prices Hungary could not maintain the operation of these industries. Thus she must accept terms from the U.S.S.R. which are better than the Western terms but worse than the terms she could command with a more efficient utilization of her resources. While it does cost the U.S.S.R. to maintain the uneconomical utilization of resources in Hungary, this method is conceivably preferable to either direct military domination or ownership of key resources because of its less conspicuous character.

There are various aspects of Hungarian-Soviet trade relations which would merit further study. If the availability of statistical information increases in the future, it may be possible to broaden the analysis of unit value patterns. It would also be interesting to see what solution the U.S.S.R. will find to rectify the uneconomical character of the present trade relations with Hungary. It was pointed out earlier that from a political point of view the present arrangement may have certain advantages. However, small as the cost of a virtual subsidy to Hungary may be in relation to the total national product of the Soviet Union, with further growth of the volume of trade the built-in inefficiencies may cumulatively increase the burden of the subsidy. On the other hand, it is possible that should the U.S.S.R. wish to ease this burden by creating an efficient organization of production in Hungary, it could lead to increased Hungarian re-integration with the West, and so to greater political independence from the U.S.S.R. Hungary herself has no choice in the matter and it is not likely that in the near future the U.S.S.R. will "press" for extensive changes in the present relationship.

Since 1958, where this study ends, certain developments have occurred in Hungarian planning which would deserve exhaustive research within the framework of a study, such as the present one. Last year Hungary embarked on a new seven-year plan, the outlines of which seem to indicate that some of the earlier experiences in planning have

been taken into consideration. Naturally, it is too early to say what the effect of new economic programs will be on the Hungarian economy. Among other measures, the plans include further decentralization of foreign trade and greater independence of industrial management from the central planning agency. At this moment it seems that the results of this study will not be affected greatly by these changes, at least in the foreseeable future. However, should the executive efficiency of Hungarian planning improve, it is possible that Hungary may look forward to a period of higher standard of living as a result of more rational and more orderly economic activity.

APPENDIX I
STATISTICAL TABLES

TABLE 23

VALUE OF EXPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958
(MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>867.5</u>	<u>1,070.9</u>	<u>1,347.6</u>	<u>2,077.3</u>	<u>2,016.4</u>	<u>2,105.7</u>	<u>1,791.9</u>	<u>2,227.2</u>	<u>2,874.0</u>
Bloc	804.4	971.2	1,252.1	1,943.6	1,879.9	1,903.1	n.a.	n.a.	n.a.
West	63.1	99.7	95.5	133.7	136.5	202.6	n.a.	n.a.	n.a.
II RAW MATERIALS	<u>712.4</u>	<u>896.8</u>	<u>1,063.8</u>	<u>1,177.7</u>	<u>1,252.4</u>	<u>1,707.7</u>	<u>1,337.8</u>	<u>1,215.7</u>	<u>1,883.3</u>
Bloc	475.9	579.4	779.9	925.2	964.5	1,021.9	n.a.	n.a.	n.a.
West	236.5	317.4	283.9	252.5	287.9	685.8	n.a.	n.a.	n.a.
III FOOD, LIVESTOCK, AND AGRICULTURAL RAW MATERIALS	<u>1,513.4</u>	<u>1,601.1</u>	<u>1,737.5</u>	<u>1,460.3</u>	<u>1,793.3</u>	<u>2,180.1</u>	<u>1,795.1</u>	<u>1,498.8</u>	<u>1,830.0</u>
Bloc	759.3	879.5	1,070.8	981.9	1,017.9	1,200.1	n.a.	n.a.	n.a.
West	754.1	721.6	666.7	478.4	775.4	980.0	n.a.	n.a.	n.a.
IV CONSUMER GOODS, OTHER THAN FOOD	<u>763.7</u>	<u>1,077.0</u>	<u>1,048.9</u>	<u>1,188.9</u>	<u>1,101.5</u>	<u>1,154.4</u>	<u>884.2</u>	<u>785.6</u>	<u>1,437.4</u>
Bloc	504.8	759.3	711.8	794.2	675.8	628.4	n.a.	n.a.	n.a.
West	258.9	317.7	337.1	394.7	425.7	526.0	n.a.	n.a.	n.a.
TOTAL EXPORTS	<u>3,857.0</u>	<u>4,645.8</u>	<u>5,197.8</u>	<u>5,904.2</u>	<u>6,163.6</u>	<u>7,147.9</u>	<u>5,809.0</u>	<u>5,728.3</u>	<u>8,024.7</u>
Bloc	2,544.4	3,189.4	3,814.6	4,644.9	4,538.1	4,753.5	n a	n a	n a
West	1,312.6	1,456.4	1,383.2	1,259.3	1,625.5	2,394.4	n.a.	n.a.	n.a.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 24

VALUE OF IMPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958
(MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>769.2</u>	<u>968.7</u>	<u>1,125.4</u>	<u>1,033.9</u>	<u>864.1</u>	<u>716.4</u>	<u>744.3</u>	<u>986.3</u>	<u>1,246.4</u>
Bloc	336.0	657.5	877.4	839.2	707.7	596.8	n.a.	n.a.	n.a.
West	433.2	311.2	248.0	194.7	156.4	119.6	n.a.	n.a.	n.a.
II RAW MATERIALS	<u>2,672.8</u>	<u>3,229.5</u>	<u>3,702.2</u>	<u>3,746.1</u>	<u>4,101.0</u>	<u>4,239.7</u>	<u>3,890.1</u>	<u>5,435.5</u>	<u>5,191.9</u>
Bloc	1,577.5	2,064.9	2,633.7	2,737.4	2,940.1	2,450.5	n.a.	n.a.	n.a.
West	1,095.3	1,164.6	1,068.5	1,008.7	1,060.9	1,789.2	n.a.	n.a.	n.a.
III FOOD, LIVESTOCK, AND AGRICULTURAL RAW MATERIALS	<u>132.7</u>	<u>339.9</u>	<u>293.0</u>	<u>656.4</u>	<u>839.1</u>	<u>1,102.2</u>	<u>689.9</u>	<u>1,077.0</u>	<u>630.2</u>
Bloc	80.1	265.8	199.0	404.7	267.3	233.7	n.a.	n.a.	n.a.
West	52.6	74.1	94.0	251.7	571.8	868.5	n.a.	n.a.	n.a.
IV CONSUMER GOODS, OTHER THAN FOOD	<u>131.7</u>	<u>87.5</u>	<u>87.2</u>	<u>94.7</u>	<u>214.7</u>	<u>215.7</u>	<u>148.3</u>	<u>512.5</u>	<u>338.5</u>
Bloc	105.2	59.0	59.5	68.8	179.1	163.8	n.a.	n.a.	n.a.
West	26.5	28.5	27.7	25.9	35.6	51.9	n.a.	n.a.	n.a.
TOTAL IMPORTS	<u>3,706.4</u>	<u>4,625.6</u>	<u>5,207.8</u>	<u>5,531.1</u>	<u>6,018.9</u>	<u>6,274.0</u>	<u>5,472.6</u>	<u>8,011.3</u>	<u>7,407.0</u>
Bloc	2,098.8	3,047.2	3,769.6	4,050.1	4,094.2	3,444.8	n.a.	n.a.	n.a.
West	1,607.6	1,578.4	1,438.2	1,481.0	1,924.7	2,829.2	n.a.	n.a.	n.a.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 25

EXCESS OF EXPORTS (+) OVER IMPORTS BY TRADE AREA
AND BY ECONOMIC SECTOR, 1950-1958
(MILLIONS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
THE SOVIET BLOC	+ 445.6	+ 142.2	+ 45.0	+ 594.8	+ 443.9	+1,308.7	n.a.	n.a.	n.a.
Industry	- 233.6	- 471.5	- 826.8	+ 17.6	- 306.7	+ 342.3	n.a.	n.a.	n.a.
Agriculture	+ 679.2	+ 613.7	+ 871.8	+ 577.2	+ 750.6	+ 966.4	n.a.	n.a.	n.a.
THE WEST	- 295.0	- 122.0	- 55.0	- 221.7	- 299.2	- 434.8	n.a.	n.a.	n.a.
Industry	- 996.5	- 759.5	- 627.7	- 448.4	- 502.8	- 546.3	n.a.	n.a.	n.a.
Agriculture	701.5	647.5	572.7	226.7	203.6	111.5	n.a.	n.a.	n.a.
TOTAL	+ 150.6	+ 20.2	- 10.0	+ 373.1	+ 144.7	+ 873.9	+ 336.4	-2,283.7	+ 617.7
Industry	-1,230.1	-1,241.0	-1,454.5	- 430.8	- 809.5	- 204.0	- 768.8	-2,705.5	- 582.1
Agriculture	+1,380.7	+1,261.2	+1,444.5	+ 803.9	+ 954.2	+1,077.9	+1,105.2	+ 421.8	+1,199.8
INDUSTRY	-1,230.1	-1,241.0	-1,454.5	- 430.8	- 809.5	- 204.0	- 768.8	-2,705.5	- 582.1
Bloc	- 233.6	- 471.5	- 826.8	+ 17.6	- 306.7	+ 342.3	n.a.	n.a.	n.a.
West	- 996.5	- 759.5	- 627.7	- 448.4	- 502.8	- 546.3	n.a.	n.a.	n.a.
AGRICULTURE	+1,380.7	+1,261.2	+1,444.5	+ 803.9	+ 954.2	+1,077.9	+1,105.2	+ 421.8	+1,199.8
Bloc	+ 679.2	+ 613.7	+ 871.8	+ 577.2	+ 750.6	+ 966.4	n.a.	n.a.	n.a.
West	+ 701.5	+ 647.5	+ 572.7	+ 226.7	+ 203.6	+ 111.5	n.a.	n.a.	n.a.

Source: Table 23, and Table 24.

TABLE 26

CHANGES IN THE VOLUME OF IMPORTS BY COMMODITY CLASS AND BY TRADE AREA, 1950-1958
(1950=100)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
I MACHINERY	<u>100</u>	<u>126</u>	<u>146</u>	<u>134</u>	<u>112</u>	<u>93</u>	<u>97</u>	<u>128</u>	<u>162</u>
Bloc	100	196	261	250	211	178	-	-	-
West	100	72	57	45	36	28	-	-	-
II RAW MATERIALS	<u>100</u>	<u>121</u>	<u>139</u>	<u>140</u>	<u>153</u>	<u>159</u>	<u>146</u>	<u>203</u>	<u>194</u>
Bloc	100	131	165	174	186	155	-	-	-
West	100	106	98	92	106	163	-	-	-
III FOOD, LIVESTOCK, AGRICULTURAL RAW MATERIALS	<u>100</u>	<u>256</u>	<u>221</u>	<u>495</u>	<u>632</u>	<u>831</u>	<u>520</u>	<u>812</u>	<u>475</u>
Bloc	100	332	248	505	334	292	-	-	-
West	100	141	179	479	1,087	1,651	-	-	-
IV CONSUMER GOODS, OTHER THAN FOOD	<u>100</u>	<u>66</u>	<u>66</u>	<u>72</u>	<u>163</u>	<u>164</u>	<u>113</u>	<u>389</u>	<u>257</u>
Bloc	100	56	57	65	170	156	-	-	-
West	100	108	105	98	134	196	-	-	-
TOTAL IMPORTS	<u>100</u>	<u>125</u>	<u>141</u>	<u>149</u>	<u>162</u>	<u>169</u>	<u>148</u>	<u>216</u>	<u>200</u>
Bloc	100	145	178	193	195	164	-	-	-
West	100	98	89	92	120	176	-	-	-

Source: Table 24.

TABLE 27

PHYSICAL VOLUME OF SELECTED EXPORTS, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	47,114	126,241	210,821	427,798	697,735	527,008	215,874	31,007	94,123
Crude Oil	24,910	24,708	25,859	49,384	156,800	156,351	n.a.	n.a.	n.a.
Bauxite	598,058	543,197	724,486	771,206	783,002	554,192	375,606	466,791	538,482
Crude Aluminum	4,162	4,431	5,137	5,592	4,986	7,854	5,155	1,453	16,399
Lightbulbs ^a	14,450	13,425	13,691	16,056	20,259	20,004	18,081	24,934	37,100
Rice	7,014	12,128	9,313	10,407	20,943	13,149	n.a.	n.a.	n.a.
Sugar	17,745	48,512	94,663	57,717	88,334	95,681	40,021	9,939	27,949
Salami	394	615	677	799	1,197	1,511	1,770	1,669	1,933
Eggs	4,987	5,005	7,338	882	5,804	10,257	9,462	5,552	8,021
Butter	1,777	2,325	6,767	2,032	1,679	3,887	5,026	3,861	7,197
Sunflowerseed Oil	26,038	20,408	24,795	13,730	24,620	23,088	10,108	15,685	16,303
Wheat	282,616	281,109	177,759	194,227	158,513	291,524	137,546	80	57,270
Rye	75,402	33,511	35,356	4,614	62,238	25,627	n.a.	n.a.	n.a.
Corn	26,166	72,223	43,180	47,486	141,443	117,793	114,791	17,471	43,060
Beans	24,435	3,319	293	17	14,443	24,748	21,086	14,285	21,735
Sunflowerseed	32,985	37,671	29,147	53,900	38,105	13,959	12,983	10,405	10,103
Wine ^b	114,321	190,629	162,140	160,129	180,314	236,294	253,685	213,295	336,193
Butcher Hogs ^c	251,538	91,948	169,376	178,862	155,157	179,033	226,910	98,650	140,953

^a1000 pieces.

^b100 liters; without bottled wine.

^chead.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 28

TOTAL DOMESTIC OUTPUT OF SELECTED EXPORT COMMODITIES, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal ^a	13,268	15,270	18,564	21,009	21,536	22,316	20,590	21,202	24,249
Crude Oil	512,069	498,755	598,283	845,589	1,394,405	1,601,145	1,202,149	674,846	830,362
Bauxite	577,791	753,469	1,206,674	1,394,405	1,260,148	1,240,906	892,401	907,472	1,049,009
Crude Aluminum	16,679	21,119	24,650	23,738	32,763	36,959	34,815	25,080	39,516
Lightbulbs ^b	25,049	31,217	29,325	25,913	34,477	41,533	42,071	53,920	59,653
Rice ^a	40	35	40	65	63	35	91	81	63
Sugar	179,490	253,300	178,970	306,370	244,310	248,260	216,473	300,700	269,694
Salami	15,557	17,590	25,090	25,215	26,967	33,251	36,563	35,248	45,579
Eggs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Butter	8,361	6,805	12,141	8,071	9,363	11,381	12,651	12,202	16,946
Sunflowerseed Oil	49,055	54,904	62,941	40,458	56,429	45,613	35,897	37,903	26,559
Wheat ^a	2,085	2,351	1,699	2,182	1,660	2,131	1,845	1,959	1,487
Rye ^a	769	790	542	562	480	544	494	487	371
Corn ^a	1,805	2,833	1,172	2,602	2,550	2,912	2,034	3,233	2,833
Beans ^{a,c}	9	10	3	6	34	39	28	22	18
Sunflowerseed ^a	237	295	154	294	185	187	152	90	100
Wine ^{c,d}	1,267	1,476	1,067	659	636	1,729	1,253	1,286	2,193
Butcher Hogs ^{c,e}	1,103	,896	1,326	1,271	1,295	1,584	1,831	1,597	1,943

^a1000 tons.^b1000 pieces.^cRepresent mandatory domestic deliveries.^d1000 hectoliters.^e1000 head.Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 29

PHYSICAL VOLUME OF SELECTED EXPORTS TO THE SOVIET BLOC, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	9,119	51,137	186,615	394,529	655,343	457,946	178,692	11,089	-
Crude Oil	24,910	24,708	25,859	49,096	132,615	92,189	19,490	-	-
Bauxite	581,148	533,838	707,841	752,908	768,230	538,180	351,358	444,761	518,236
Crude Aluminum	1,677	1,996	1,956	2,708	3,896	449	50	500	1,772
Lightbulbs ^a	3,158	1,456	408	1,924	1,521	1,671	877	1,344	2,452
Rice	3,300	2,345	3,615	6,219	7,837	6,976	1,374	-	-
Sugar	-	12,800	26,967	-	17,496	43,697	6,298	3,107	-
Salami	81	487	476	538	868	1,153	1,458	1,110	1,418
Eggs	-	1,758	3,296	403	1,327	1,291	1,343	-	-
Butter	500	700	2,412	1,283	1,160	1,105	1,075	1,817	4,205
Sunflowerseed Oil	8,647	8,035	10,001	4,901	7,905	7,189	581	4,191	4,884
Wheat	75,836	117,480	65,555	136,747	77,834	164,550	79,004	-	-
Rye	20,020	19,984	456	4,614	20,126	15,000	-	-	-
Corn	5,542	18,873	21,691	23,125	77,722	16,747	20,206	5,946	7,336
Beans	1,999	134	-	-	1,250	9,574	3,574	-	-
Sunflowerseed	32,563	33,074	15,209	35,234	30,586	710	6,896	-	-
Wine ^b	58,343	51,126	62,413	70,471	97,355	191,869	147,809	60,764	103,255
Butcher Hogs ^c	83,451	53,344	137,866	138,165	43,674	69,646	112,200	52,541	36,743

^a1000 pieces.

^b100 liters; without bottled wine.

^cHead.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 30

PHYSICAL VOLUME OF SELECTED EXPORTS TO THE WEST, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	37,995	61,154	1,150	-	-	25,550	-	-	-
Crude Oil	-	-	-	-	20,692	63,669	54,080	-	-
Bauxite	-	-	-	-	-	-	-	-	-
Crude Aluminum	-	-	601	559	161	4,046	586	-	-
Lightbulbs ^a	3,408	3,720	3,714	3,174	8,288	6,540	4,565	4,472	2,760
Rice	1,115	4,847	535	385	2,330	1,294	828	2,034	-
Sugar	17,414	33,946	53,472	30,256	48,479	17,613	8,661	4,740	100
Salami	233	72	139	197	235	212	104	152	168
Eggs	4,601	2,822	3,235	137	3,574	7,479	6,643	3,842	6,482
Butter	580	936	1,940	250	239	1,984	3,245	1,717	2,590
Sunflowerseed Oil	12,354	7,086	7,303	5,765	12,044	10,199	6,522	9,975	8,607
Wheat	182,897	99,287	37,528	36,987	75,900	120,550	58,541	-	-
Rye	36 673	13 387	34 781	-	42 112	10 627	40 015	-	-
Corn	20,977	32,833	11,501	12,344	61,930	97,538	92,577	4,806	20,557
Beans	13,593	675	271	-	10,155	5,293	12,903	10,379	10,008
Sunflowerseed	-	3,876	12,769	17,859	4,956	10,879	2,755	5,500	6,078
Wine ^b	49,721	78,328	27,600	38,489	25,218	21,568	51,802	41,606	65,977
Butcher Hogs ^c	168,087	38,604	19,172	40,697	98,118	105,509	114,710	37,277	46,783

^a1000 pieces.

^b100 liters; without bottled wine

^cHead

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 31

A COMPARISON OF THE PERCENTAGE SHARES OF THE BLOC AND OF THE WEST
IN SELECTED HUNGARIAN EXPORTS, 1950-1958
(BASED ON PHYSICAL VOLUME)

Item	1950		1951		1952		1953		1954		1955		1956		1957		1958	
	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West
Coal	19	81	41	48	89	0	92	-	94	-	87	5	83	-	36	-	-	-
Crude Oil	100	-	100	-	100	-	99	-	85	13	59	-	-	-	-	-	-	-
Bauxite	97	-	98	-	98	-	98	-	98	-	97	-	94	-	95	-	96	-
Crude Aluminum	40	-	45	-	38	12	48	10	78	3	6	52	1	11	3	-	11	-
Lightbulbs	22	24	11	28	3	27	12	26	8	41	8	33	5	25	5	18	7	7
Rice	47	16	19	40	39	6	60	4	37	11	53	10	-	-	-	-	-	-
Sugar	-	98	26	70	28	57	-	52	20	55	46	18	16	22	31	48	-	0
Salami	21	59	79	12	70	21	67	25	73	20	76	14	82	6	67	9	73	9
Eggs	-	92	35	56	45	44	46	52	23	62	13	73	14	70	-	69	-	81
Butter	28	33	30	40	35	29	63	12	69	14	28	51	21	65	47	45	58	36
Sunflowerseed Oil	31	44	39	35	40	30	36	42	32	49	31	44	6	65	27	64	30	53
Wheat	27	65	42	35	37	21	70	19	49	48	56	41	57	43	-	-	-	-
Rye	27	49	60	40	1	98	100	-	32	68	59	42	-	-	-	-	-	-
Corn	2	74	26	46	50	27	49	26	55	44	14	83	18	81	34	28	17	48
Beans	8	56	40	20	-	93	-	-	9	70	39	21	17	61	-	73	-	46
Sunflowerseed	99	-	88	10	52	44	65	33	80	13	5	78	53	21	-	53	-	60
Wine	51	44	27	41	39	17	44	24	54	14	81	9	58	20	29	20	31	20
Butcher Hogs	33	67	58	42	81	11	77	23	28	63	39	59	49	51	53	38	26	33

Source: Table 27, Table 29, and Table 30.

TABLE 32

PHYSICAL VOLUME OF SELECTED IMPORTS, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	335,293	464,131	644,643	787,161	928,950	793,035	841,197	2,426,852	1,142,188
Iron Ore	607,240	631,807	787,843	998,074	1,287,196	1,354,145	1,117,696	1,308,447	1,808,170
Blast Furnace Coke	563,821	479,937	781,835	886,150	1,087,653	1,203,040	1,053,657	1,097,596	1,134,026
Sodium Carbonate	11,111	19,759	20,167	30,215	23,735	30,186	30,675	40,663	47,969
Rubber, Natural	3,564	4,386	3,478	6,212	9,129	6,325	7,025	8,544	10,071
Rubber, Synthetic	1,406	1,478	2,553	3,548	5,007	4,455	3,755	4,417	5,079
Aniline Dye	1,737	1,581	1,553	866	957	1,819	1,453	1,897	1,995
Newsprint	9,210	5,027	5,273	7,524	14,073	11,760	11,282	23,066	17,200
Cotton	40,701	37,192	45,864	51,456	49,386	47,738	40,037	40,245	52,540
Wool	1,591	1,908	2,446	2,317	1,697	3,571	2,501	2,606	2,998
Synthetic Fibre	3,258	1,558	1,849	2,729	3,289	7,298	8,992	8,879	10,016
Lumber ^a	602,551	469,349	557,144	559,809	538,753	514,461	461,871	550,037	518,217
Pulpwood ^a	154,919	102,218	104,461	116,577	114,304	246,692	225,440	217,914	277,441
Wheat	4,000	10,000	10,604	51,949	290,167	326,471	185,083	336,682	100,530
Barley	32,262	51,398	12,441	63,925	94,921	63,906	19,385	313,744	77,830

^aCubic meters.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 33

TOTAL DOMESTIC OUTPUT OF SELECTED IMPORT COMMODITIES, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal ^a	13,268	15,270	18,564	21,009	21,536	22,316	20,590	21,202	24,249
Iron Ore	368,764	310,703	315,744	359,110	428,388	353,005	350,661	331,402	371,090
Blast Furnace Coke	-	-	-	119,213	85,910	29,788	30,181	196,081	335,427
Sodium Carbonate	8,561	8,515	11,946	12,802	11,636	11,693	12,092	13,566	16,959
Rubber, Natural	-	-	-	-	-	-	-	-	-
Rubber, Synthetic	-	-	-	-	-	-	-	-	-
Aniline Dye	398	533	685	653	722	935	564	559	927
Newsprint	9,581	9,981	8,732	7,653	2,694	3,196	3,734	169	-
Cotton	-	-	-	-	-	-	-	-	-
Wool	3,012	3,303	3,743	4,619	5,326	5,603	6,376	6,546	7,180
Synthetic Fibre	2,732	2,886	3,384	3,392	2,164	2,632	1,814	2,610	2,821
Lumber ^b	84,927	86,272	71,573	73,646	71,040	60,710	55,977	86,528	94,608
Pulpwood ^b	23	14	12	21	12	16	15	20	22
Wheat ^a	2,085	2,351	1,699	2,182	1,661	2,131	1,845	1,959	1,487
Barley ^a	604	723	567	757	587	794	645	962	735

^a1000 tons.^bCubic meters.Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 34

THE SUM OF IMPORTS AND DOMESTIC OUTPUT OF SELECTED COMMODITIES
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal ^a	13,603	15,734	19,209	21,796	22,465	23,109	21,431	23,629	25,391
Iron Ore	976,004	942,510	1,103,587	1,357,184	1,715,584	1,707,150	1,468,357	1,639,849	2,179,260
Blast Furnace Coke	563,821	479,937	781,835	1,005,363	1,173,563	1,232,828	1,083,838	1,293,677	1,469,453
Sodium Carbonate	19,672	28,274	32,113	43,017	35,371	41,874	42,767	54,229	64,928
Rubber, Natural	3,564	4,386	3,478	6,212	9,129	6,325	7,025	8,544	10,071
Rubber, Synthetic	1,406	1,478	2,553	3,548	5,007	4,455	3,755	4,417	5,079
Aniline Dye	2,135	2,114	2,238	1,519	1,679	2,754	2,017	2,456	2,922
Newsprint	18,791	15,008	14,005	15,177	16,767	14,956	15,016	23,235	17,200
Cotton	40,701	37,192	45,864	51,456	49,386	47,738	40,037	40,245	52,540
Wool	4,603	5,211	6,189	6,936	7,023	9,174	8,877	9,156	10,178
Synthetic Fibre	5,990	4,444	5,233	6,121	5,453	9,930	10,806	11,489	12,837
Lumber ^b	687,478	555,621	628,717	633,449	609,793	575,171	517,848	636,565	612,825
Pulpwood ^b	177,619	115,918	116,461	137,377	126,704	262,392	240,440	237,614	299,141
Wheat ^a	2,089	2,361	1,710	2,234	1,951	2,457	2,030	2,296	1,588
Barley	636,562	773,898	579,541	820,425	682,221	858,306	663,885	1,275,444	813,130

^a1000 tons.

^bCubic meters.

Source: Table 32, and Table 33.

TABLE 35

PHYSICAL VOLUME OF SELECTED IMPORTS FROM THE SOVIET BLOC, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	333,995	457,082	540,979	746,505	803,340	793,035	794,250	2,211,909	1,132,970
Iron Ore	532,338	536,414	696,812	880,986	1,229,101	1,332,229	1,096,453	1,175,010	1,606,726
Blast Furnace Coke	563,821	479,937	752,602	827,252	771,127	937,458	1,040,285	1,097,596	1,109,086
Sodium Carbonate	6,192	8,405	6,947	5,056	10,201	19,668	24,625	29,138	31,059
Rubber, Natural	-	-	-	-	-	85	-	4,382	5,757
Rubber, Synthetic	1,373	1,478	2,552	3,549	5,008	3,655	3,387	4,353	4,930
Aniline Dye	262	970	1,222	553	560	1,110	998	1,134	834
Newsprint	4,976	3,066	4,174	6,255	11,498	9,654	11,282	20,767	11,692
Cotton	30,090	30,713	34,086	34,933	38,777	27,310	24,444	34,155	34,103
Wool	-	625	483	918	453	999	517	1,292 ^a	753 ^a
Synthetic Fibre	-	251	400	753	843	2,626	2,555	4,096	5,043
Lumber ^b	542,923	468,542	530,173	515,768	448,767	361,756	326,331	469,592	422,794
Pulpwood ^b	94,496	60,220	40,521	31,242	33,424	-	14,376	64,955	96,461
Wheat	4,000	10,000	8,122	31,954	63,390	27,090	-	305,532	75,325
Barley	1,313	1,693	402	2,180	20,709	12,472	7,305	129,824	72,721

^aIncludes imports from Mongolia.

^bCubic meters.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 36

PHYSICAL VOLUME OF SELECTED IMPORTS FROM THE WEST, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Coal	-	-	-	-	-	-	34,363	203,015	-
Iron Ore	-	16,605	15,286	9,283	3,974	16,882	12,901	92,661	171,455
Blast Furnace Coke	-	-	-	58,898	306,809	265,532	13,372	-	-
Sodium Carbonate	2,545	4,162	8,064	17,454	8,240	10,518	6,050	11,525	10,037
Rubber, Natural	3,068	4,260	3,412	5,458	2,591	2,613	6,577	3,937	3,787
Rubber, Synthetic	-	-	-	-	-	800	337	32	29
Aniline Dye	1,412 ^a	555 ^a	273 ^a	290 ^a	363 ^a	689	385	671	1,127
Newsprint	463	363	516	312	2,575	2,106	-	1,799	1,046
Cotton	3,936	4,957	9,672	13,373	7,446	13,052	4,501	2,846	9,237
Wool	936	528	329	622	1,095	2,368	1,587	1,158	1,765
Synthetic Fibre	1,826	648	427	829	749	3,032	5,111	3,497	2,928
Lumber ^b	59,547	807	26,951	24,861	76,325	114,551	111,822	62,135	69,725
Pulpwood ^b	-	-	-	-	23,322	118,922	127,764	39,485	4,232
Wheat	-	-	-	-	226,778	289,381	126,568	24,237	9,519
Barley	-	-	6,849	5,751	62,870	51,435	2,999	155,633	5,109

^aEstimated. Total imports of aniline dye, less Bloc imports, less the 1955-1957 average of aniline dye imports from all other countries outside the Bloc and the West.

^bCubic meters.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 37

A COMPARISON OF THE PERCENTAGE SHARES OF THE BLOC AND OF THE WEST
IN SELECTED HUNGARIAN IMPORTS, 1950-1958
(BASED ON PHYSICAL VOLUME)

Item	1950		1951		1952		1953		1954		1955		1956		1957		1958	
	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West	Bloc	West
Coal	100	-	99	-	84	-	95	-	87	-	100	-	94	4	91	8	99	-
Iron Ore	88	-	85	3	88	2	88	1	100	0	100	1	98	1	90	7	89	10
Blast Furnace Coke	100	-	100	-	96	-	93	7	71	28	78	18	99	1	100	-	98	-
Sodium Carbonate	56	23	43	21	34	40	17	58	43	35	65	35	80	20	72	28	68	21
Rubber, Natural	-	86	-	97	-	98	-	88	-	28	1	41	-	94	51	46	57	38
Rubber, Synthetic	98	-	100	-	100	-	100	-	100	-	82	18	90	9	99	0	97	0
Aniline Dye	15	81	61	35	79	18	64	34	59	38	61	38	69	27	60	35	42	57
Newsprint	54	5	61	7	79	10	83	4	82	18	82	18	100	-	90	8	68	6
Cotton	74	10	83	13	74	21	68	26	79	15	57	27	61	11	85	7	65	18
Wool	-	59	-	28	-	14	-	27	-	65	28	66	21	64	49	44	25	59
Synthetic Fibre	-	56	18	42	22	23	28	30	26	23	36	42	28	57	46	39	50	29
Lumber	90	10	100	0	95	5	92	4	83	14	70	22	71	24	85	11	82	14
Pulpwood	61	-	59	-	39	-	27	-	29	20	-	48	6	57	30	18	42	2
Wheat	100	-	100	-	77	-	62	-	22	78	8	89	-	68	91	7	75	10
Barley	3	-	3	-	3	55	3	9	22	66	20	81	38	16	41	50	93	7

Source: Table 32, Table 35, and Table 36.

TABLE 38

UNIT VALUES OF SELECTED AGRICULTURAL EXPORTS BY TRADE AREA, 1950-1958
(DFT. PER METRIC TON)

Commodity	1950	1951	1952	1953	1954	1955	1956	1957	1958
Unit Values in the Bloc Trade (BP)									
Salami	22,074	24,920	24,284	29,814	26,357	25,527	25,116	25,343	23,590
Butter	13,740	12,343	12,009	12,486	12,351	12,538	12,878	15,514	10,383
Sunflowerseed Oil	4,844	5,219	5,329	5,368	4,711	4,579	4,694	4,621	7,090
Corn	954	911	1,023	1,105	1,174	1,065	1,261	1,646	1,479
Wine ^a	254	223	235	246	258	251	224	259	257
Butcher Hogs ^b	864	752	759	720	735	710	723	805	1,349
Unit Values in the Western Trade (WP)									
Salami	35,678	24,625	29,000	23,896	21,583	19,226	25,692	19,197	19,762
Butter	13,345	12,655	11,820	14,024	12,054	11,552	11,218	9,874	6,075
Sunflowerseed Oil	4,039	6,041	4,664	3,840	3,817	3,396	3,641	3,720	3,172
Corn	642	1,260	1,309	1,160	849	813	815	997	860
Wine ^a	161	180	148	167	219	218	147	196	198
Butcher Hogs ^b	609	590	482	514	593	580	545	581	567

^aPer 100 liters.^bPer head.

Source: Table 40, and Table 42.

TABLE 39

UNIT VALUES OF SELECTED RAW MATERIAL IMPORTS BY TRADE AREA, 1950-1958
(DFT. PER METRIC TON)

Commodity	1950	1951	1952	1953	1954	1955	1956	1957	1958
Unit Values in the Bloc Trade (BP')									
Iron Ore	116	115	97	102	120	118	118	122	142
Sodium Carbonate	1,071	1,839	1,148	810	951	879	891	1,017	1,008
Aniline Dye	21,536	27,112	31,927	44,911	33,616	33,113	28,959	28,710	22,898
Newsprint	1,426	2,511	2,290	2,268	1,823	1,897	1,862	1,301	1,582
Cotton	9,145	12,291	11,797	8,709	10,859	11,059	11,243	6,226	9,022
Synthetic Fibre	-	10 285	10 443	9 487	9 502	3 981	6 925	6 246	6 150
Lumber ^a	314	375	458	448	448	473	466	352	497
Unit Values in the Western Trade (WP')									
Iron Ore	-	305	241	274	233	200	205	163	121
Sodium Carbonate	946	2,464	982	824	895	920	983	874	907
Aniline Dye	27,839	47,117	57,473	34,683	46,807	38,155	44,317	36,368	22,326
Newsprint	1,816	2,829	2,882	1,801	1,758	1,849	-	1,594	1,234
Cotton	14,055	21,036	13,970	10,338	12,212	12,068	12,684	13,351	12,218
Synthetic Fibre	8,106	12,110	10,529	6,941	6,292	6,288	5,709	6,061	6,072
Lumber ^a	406	954	457	423	411	501	503	498	483

^aPer cubic meter.

Source: Table 41, and Table 43.

TABLE 40

COMMODITIES SELECTED FOR A UNIT VALUE INDEX OF AGRICULTURAL EXPORTS
BY TRADE AREA, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Traded with the Bloc (BQ)									
Salami	81	487	476	538	868	1,153	1,458	1,110	1,418
Butter	500	700	2,412	1,283	1,160	1,105	1,075	1,817	4,205
Sunflowerseed Oil	8,647	8,035	10,001	4,901	7,905	7,189	581	4,191	4,884
Corn	5,542	18,873	21,691	23,125	77,722	16,747	20,206	5,946	7,336
Wine ^a	58,343	51,126	62,413	70,471	97,355	191,869	147,809	60,764	103,255
Butcher Hogs ^b	83,451	53,344	137,866	138,165	43,674	69,646	112,200	52,541	36,743
Traded with the West (WQ)									
Salami	233	72	139	197	235	212	104	152	168
Butter	580	936	1,940	250	239	1,984	3,245	1,717	2,590
Sunflowerseed Oil	12,354	7,086	7,303	5,765	12,044	10,199	6,522	9,975	8,605
Corn	20,977	32,833	11,501	12,345	61,930	97,538	92,577	4,806	20,557
Wine ^a	49,721	78,328	27,800	38,489	25,218	21,568	51,802	41,606	65,972
Butcher Hogs ^b	168,087	38,604	19,172	40,697	98,118	105,509	114,710	37,277	46,783
Total Trade									
Salami	314	559	615	735	1,103	1,365	1,562	1,262	1,586
Butter	1,081	1,636	4,352	1,533	1,399	3,089	4,320	3,534	6,795
Sunflowerseed Oil	21,001	15,121	17,304	10,666	19,949	17,388	7,103	14,166	13,489
Corn	26,519	51,706	33,192	35,470	139,652	114,285	112,783	10,752	27,893
Wine ^a	108,064	129,454	90,213	108,960	122,573	213,437	199,611	102,370	169,232
Butcher Hogs ^b	251,538	91,948	157,038	178,862	141,792	175,155	226,910	89,818	83,526

^a100 liters.

^bHead.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 41

COMMODITIES SELECTED FOR A UNIT VALUE INDEX OF RAW MATERIAL IMPORTS
BY TRADE AREA, 1950-1958
(METRIC TONS)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Traded with the Bloc (BQ')									
Iron Ore	532,338	536,414	696,812	880,986	1,229,101	1,332,229	1,096,453	1,175,010	1,606,726
Sodium Carbonate	6,192	8,405	6,947	5,056	10,201	11,234	9,783	9,756	10,836
Aniline Dye	250	970	1,222	553	560	991	246	290	235
Newsprint	4,941	3,066	4,174	6,255	11,498	9,654	9,883	19,122	9,474
Cotton	30,090	30,713	34,086	34,933	38,777	27,310	24,281	33,161	32,862
Synthetic Fibre	-	281	400	753	843	2,626	2,555	4,096	5,043
Lumber ^a	542,923	468,542	530,173	515,768	448,767	361,756	326,331	469,592	422,794
Traded with the West (WQ')									
Iron Ore	-	16,605	15,286	9,283	3,974	16,882	12,901	92,661	171,455
Sodium Carbonate	2,545	4,162	8,064	17,454	8,240	10,518	2,230	11,525	10,032
Aniline Dye	1,412	555	273	290	363	689	385	671	1,127
Newsprint	463	363	516	312	2,575	2,106	-	1,799	1,046
Cotton	3,936	4,957	9,672	13,373	7,446	13,052	4,501	2,846	9,237
Synthetic Fibre	1,826	648	427	829	749	3,132	5,111	3,497	2,928
Lumber ^a	59,547	807	26,951	24,861	76,325	114,551	111,822	62,135	69,725
Total Trade									
Iron Ore	532,338	553,019	712,098	890,269	1,233,075	1,349,111	1,109,354	1,267,671	1,778,181
Sodium Carbonate	8,737	12,567	15,011	22,510	18,441	21,752	12,013	21,281	20,868
Aniline Dye	1,662	1,525	1,495	843	923	1,680	631	961	1,362
Newsprint	5,404	3,429	4,690	6,567	14,073	11,760	9,883	20,921	10,520
Cotton	34,026	35,670	43,758	48,306	46,223	40,362	28,782	36,007	42,099
Synthetic Fibre	1,826	929	827	1,582	1,592	5,758	7,666	7,593	7,971
Lumber ^a	602,470	469,349	557,124	540,629	525,092	476,307	438,153	531,727	492,519

^aCubic meters.

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 42

VALUE OF COMMODITIES SELECTED FOR A UNIT VALUE INDEX OF
 AGRICULTURAL EXPORTS BY TRADE AREA, 1950-1958
 (THOUSANDS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
In the Western Trade									
Salami	8,313	1,773	4,031	4,708	5,072	4,076	2,672	2,918	3,320
Butter	7,740	11,845	22,931	3,506	2,881	22,919	36,402	16,953	15,734
Sunflowerseed Oil	49,898	42,807	34,061	22,138	45,972	34,636	23,747	37,111	27,293
Corn	13,467	41,370	15,055	14,320	52,579	79,786	75,450	4,792	17,678
Wine	8,005	14,099	4,114	6,428	5,523	4,702	7,615	8,170	13,060
Butcher Hogs	102,365	22,776	9,241	20,918	58,184	61,196	62,517	21,674	26,540
In the Bloc Trade									
Salami	1,788	12,136	11,559	16,040	22,878	29,434	36,619	28,131	33,451
Butter	6,870	8,640	28,966	16,020	14,327	13,854	13,844	28,189	43,661
Sunflowerseed Oil	41,886	41,935	53,295	26,309	37,240	32,918	2,737	19,368	34,626
Corn	5,287	17,193	22,190	25,553	91,246	17,836	25,480	9,787	10,850
Wine	14,819	11,401	14,667	17,336	25,118	48,159	33,109	15,709	26,536
Butcher Hogs	72,102	40,115	104,640	99,479	32,100	49,449	81,121	42,299	49,559

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 43

VALUE OF COMMODITIES SELECTED FOR A UNIT VALUE INDEX OF
RAW MATERIAL IMPORTS BY TRADE AREA, 1950-1958
(THOUSANDS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
In the Western Trade									
Iron Ore	-	5,071	3,685	2,544	924	3,370	2,649	15,143	20,729
Sodium Carbonate	2,407	13,256	7,917	14,374	7,371	9,675	2,193	10,069	9,095
Aniline Dye	39,308	26,150	15,690	10,058	16,991	26,289	17,062	24,403	25,161
Newsprint	841	1,027	1,487	562	4,527	3,895	-	2,867	1,291
Cotton	55,322	104,273	135,118	138,249	90,934	157,508	57,092	37,997	112,860
Synthetic Fibre	14,801	7,847	4,496	5,754	4,713	19,694	29,178	21,195	17,779
Lumber	24,186	770	12,321	10,521	31,385	57,413	56,283	30,913	33,711
In the Bloc Trade									
Iron Ore	61,547	61,845	67,475	89,770	147,623	156,962	129,312	142,997	228,073
Sodium Carbonate	6,629	15,453	7,975	4,097	9,698	9,878	8,721	9,917	10,927
Aniline Dye	5,384	26,299	39,015	24,836	18,825	32,815	7,124	8,326	5,381
Newsprint	7,046	7,699	9,560	14,187	20,960	18,309	18,406	24,882	14,991
Cotton	275,175	377,484	402,117	304,228	421,078	302,015	272,982	206,452	296,494
Synthetic Fibre	-	2,890	4,177	7,144	8,010	10,454	17,693	25,582	31,014
Lumber	170,422	175,869	242,800	230,938	201,268	171,069	152,098	165,332	210,008

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 44

WEIGHTED AGGREGATES OF SELECTED EXPORTS AND IMPORTS (')
USED IN MEASURING UNIT VALUE CHANGES, 1950-1958
(HUNDREDS OF DFT.)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
1. $\sum BP_1 BQ_1$	142,752	131,667	235,317	200,736	222,909	191,649	192,900	143,507	198,691
2. $\sum BP_1 BQ_0$	200,343	190,308	194,662	202,613	198,258	191,649	191,385	212,908	257,674
3. $\sum BP_0 BQ_1$	127,728	128,807	224,839	192,675	211,117	191,649	191,639	129,195	171,101
4. $\sum WP_1 WQ_1$	189,788	134,670	89,433	72,018	170,210	207,314	208,403	91,583	103,618
5. $\sum WP_1 WQ_0$	205,581	280,971	258,892	243,032	217,520	207,314	205,004	224,374	196,570
6. $\sum WP_0 WQ_1$	178,623	102,584	76,472	68,347	161,542	207,314	215,187	91,254	120,705
7. $\sum BP_1' BQ_1'$	526,464	667,229	773,248	675,417	827,116	701,792	606,379	583,817	797,071
8. $\sum BP_1' BQ_0'$	565,020	723,309	711,154	636,211	705,045	701,792	707,696	528,741	680,798
9. $\sum BP_0' BQ_1'$	675,478	671,015	766,034	771,858	838,813	701,792	597,924	798,255	808,351
10. $\sum WP_1' WQ_1'$	136,855	155,389	180,710	182,066	156,831	277,831	164,415	142,583	220,661
11. $\sum WP_1' WQ_0'$	288,297	491,259	327,729	246,108	275,478	277,831	285,386	290,646	263,379
12. $\sum WP_0' WQ_1'$	145,887	93,297	154,756	208,610	159,794	277,831	161,800	145,528	253,271
13. $\sum WP_1 BQ_1$	108,260	133,846	193,041	159,280	176,095	155,268	150,979	82,278	116,647
14. $\sum WP_1' BQ_1'$	665,132	1,335,164	979,697	860,835	1,005,228	859,772	732,003	942,496	857,518

Note: BP=Bloc Unit Values, WP=Western Unit Values, BQ=Quantities Traded with the Bloc, WQ=Quantities Traded with the West, Subscript ₁=Given Year, Subscript ₀=1955, the Base Year.

Source: Table 38, Table 39, Table 40, and Table 41.

TABLE 45
 EXPORT AND IMPORT UNIT VALUE INDEXES, 1950-1958
 (FISHER IDEAL)
 1955=100

Year	Export		Import	
	Bloc	West	Bloc	West
1950	108	103	79	98
1951	101	133	101	171
1952	103	121	101	117
1953	105	111	89	88
1954	104	105	99	99
1955	100	100	100	100
1956	100	97	101	102
1957	111	104	74	101
1958	125	90	98	91

Source: Table 44.

TABLE 46

AVERAGE UNIT VALUES OF SELECTED EXPORTS BY COUNTRY, 1950-1958
(DFT. PER METRIC TON)

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
Polished Rice									
East Germany	2,840	2,536	2,574	2,511	2,473	1,653	2,303	-	-
Poland	2,953	2,519	2,559	2,528	2,513	1,725	-	-	-
Austria	3,459	2,769	2,494	2,761	2,585	2,938	1,760	-	-
West Germany	3,376	2,411	2,667	-	1,715	-	-	1,208	-
Sugar									
China	-	1,758	1,937	-	1,521	1,533	1,405	1,557	-
Roumania	-	-	-	-	1,211	1,176	1,167	-	-
Austria	1,857	2,535	2,266	1,526	1,218	-	1,141	1,108	-
Belgium	-	2,415	-	-	1,105	-	-	-	-
France	1,764	2,005	1,820	-	-	-	-	-	-
Italy	-	2,076	1,911	1,367	1,311	1,418	2,017	-	-
Netherland	-	2,199	-	-	1,754	-	-	-	-
United Arab Republic	-	2,074	1,743	980	1,076	-	-	-	-
Switzerland	1,668	2,254	1,633	1,257	1,263	1,316	1,395	-	-
West Germany	1,623	2,133	1,920	-	1,052	1,178	-	-	-
Salami									
Czechoslovakia	23,921	26,420	23,090	24,913	26,540	26,836	26,113	26,041	23,646
East Germany	18,933	23,993	24,554	24,739	26,260	24,791	24,670	24,934	23,568
Austria	35,678	24,625	29,000	23,898	21,583	19,226	19,086	19,197	19,761

TABLE 46--Continued

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
E g g s									
Czechoslovakia	-	6,987	6,985	8,161	6,666	7,189	7,110	-	-
Italy	6,236	6,634	6,615	7,724	5,876	6,000	6,913	5,735	6,155
Switzerland	5,514	6,347	7,151	8,655	5,773	5,737	7,076	4,693	5,971
United Kingdom	-	-	-	-	-	6,334	6,090	-	-
West Germany	6,507	7,275	7,264	7,480	6,233	6,145	7,050	5,556	6,224
B u t t e r									
Czechoslovakia	13,220	12,284	11,903	11,915	11,796	12,980	12,961	12,554	11,421
East Germany	-	12,560	12,602	12,788	12,750	11,728	12,804	34,908	10,220
Poland	15,820	-	-	12,860	12,654	-	-	12,344	-
Austria	-	12,755	13,297	12,427	12,619	12,544	12,145	-	-
France	14,405	-	12,763	15,279	-	-	13,250	-	-
Italy	12,853	11,665	10,340	10,607	7,400	10,748	10,574	9,480	8,378
Switzerland	12,959	-	-	-	-	11,084	11,361	-	-
United Kingdom	-	-	-	-	-	11,152	10,254	7,639	5,817
West Germany	12,550	12,487	9,707	-	11,333	12,157	11,423	10,454	-
S u n f l o w e r s e e d O i l									
Czechoslovakia	4,803	5,251	5,211	5,368	4,852	5,281	3,670	5,317	4,349
Roumania	-	-	-	-	5,395	-	5,231	4,402	3,348
U.S.S.R.	5,224	5,128	5,590	-	2,822	3,908	-	-	-
Austria	5,942	8,028	6,819	3,908	3,667	3,615	3,710	3,911	3,264
Belgium	3,437	4,354	4,046	3,690	-	-	-	4,085	-
Italy	3,910	4,510	-	4,500	3,856	3,479	3,806	-	-
Switzerland	3,807	5,023	3,814	3,616	3,882	3,397	3,775	3,842	2,834
United Kingdom	-	-	4,201	-	3,713	-	3,593	-	-
West Germany	4,309	6,960	4,153	3,808	3,900	3,228	3,499	3,440	2,657
W h e a t									
Czechoslovakia	961	1,043	1,087	1,230	1,222	1,213	1,248	-	-
East Germany	978	1,047	1,294	1,234	1,229	984	-	-	-
Poland	1,050	1,201	1,232	1,817	1,152	898	889	-	-

TABLE 46--Continued

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
Austria	1,145	1,341	-	1,370	958	916	884	-	-
Belgium	558	-	-	-	-	823	-	-	-
France	-	1,309	-	-	-	-	-	-	-
Italy	1,005	1,222	1,257	-	-	-	-	-	-
Netherlands	977	1,431	1,440	-	-	-	-	-	-
Switzerland	814	1,201	1,375	1,024	-	-	966	-	-
West Germany	958	1,398	1,282	997	825	809	762	-	-
C o r n									
Bulgaria	-	-	-	943	943	-	-	-	-
Czechoslovakia	954	911	1,055	1,340	1,203	1,290	1,233	1,646	1,479
East Germany	-	-	917	1,100	1,144	863	1,321	-	-
Austria	-	1,980	1,474	1,164	849	813	814	827	856
Belgium	570	1,186	1,640	-	698	727	724	-	-
Netherlands	517	-	-	909	-	-	-	-	-
Switzerland	759	1,132	1,219	966	834	868	1,319	-	-
West Germany	-	1,292	1,537	-	823	866	836	1,240	955
W i n e (per 100 liters)									
Czechoslovakia	157	157	158	213	323	260	231	-	-
East Germany	266	232	247	247	236	227	211	259	257
Poland	450	380	399	357	376	424	317	-	-
Switzerland	88	84	101	110	137	130	113	117	159
West Germany	197	204	219	190	252	247	164	313	239
H o g s (per head)									
Czechoslovakia	906	651	673	639	612	639	751	858	620
East Germany	-	-	-	607	563	659	772	757	857
U.S.S.R.	837	792	779	784	772	727	693	-	2 940
Austria	880	678	306	568	646	574	572	584	587
Italy	699	672	423	448	643	623	516	549	518
Switzerland	557	499	-	-	546	-	-	-	-
West Germany	536	512	561	514	575	625	525	313	239

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

TABLE 47

AVERAGE UNIT VALUES OF SELECTED IMPORTS BY COUNTRY, 1950-1958
(DFT. PER METRIC TON)

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
Iron Ore									
Bulgaria	163	153	115	135	114	112	-	-	-
China	-	-	-	-	-	95	81	392	-
U.S.S.R.	114	115	96	101	120	119	118	119	142
Sweden	-	305	241	274	233	200	205	321	325
Yugoslavia	-	-	-	-	-	-	-	113	105
Blast Furnace Coke									
Czechoslovakia	284	209	202	232	226	225	308	356	310
Poland	254	291	230	234	235	234	303	406	347
U.S.S.R.	220	214	230	234	234	242	240	298	323
Belgium	-	-	-	285	213	222	-	-	-
Netherland	-	-	-	270	-	-	-	-	-
West Germany	-	-	-	-	168	265	-	-	-
Sodium Carbonate									
Czechoslovakia	983	3,986	1,147	810	772	831	-	-	-
Poland	1,091	1,040	1,151	-	1,070	984	943	1,043	946
East Germany	-	-	-	-	-	941	873	1,008	1,039
Austria	-	2,507	1,337	878	955	994	-	-	-
France	-	1,449	-	838	876	-	-	-	-
Italy	-	-	-	-	-	817	-	820	772
Switzerland	1,065	2,532	962	835	757	978	-	-	-
West Germany	914	2,161	779	731	707	600	-	-	-
Yugoslavia	-	-	-	-	-	-	983	1,027	989

TABLE 47--Continued

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
Natural Rubber									
China	-	-	-	-	-	-	-	12,548	8,198
U.S.S.R.	-	-	-	-	-	-	-	10,424	8,680
Netherland	6,033	16,718	8,552	6,064	4,931	9,438	7,767	7,995	-
United Kingdom	5,792	15,947	9,374	6,325	5,216	9,098	9,003	8,400	7,182
West Germany	-	-	-	5,186	4,841	12,726	-	-	-
Aniline Dye									
Czechoslovakia	20,006	21,955	29,732	37,730	34,648	33,397	28,959	28,710	22,898
East Germany	30,063	27,103	27,548	31,230	26,358	27,455	-	-	-
Poland	23,580	35,055	35,793	44,018	37,553	28,239	-	-	-
U.S.S.R.	-	29,198	33,596	40,374	38,408	40,975	-	-	-
Italy	-	-	-	-	-	36,646	45,050	36,037	32,040
Switzerland	63,891	59,580	50,883	35,854	46,278	39,944	47,207	41,123	26,866
West Germany	-	-	-	-	-	36,205	35,154	27,758	25,932
Raw Cotton									
Bulgaria	-	-	-	-	-	11,912	-	-	-
China	-	-	-	-	-	13,568	17,286	14,197	-
U.S.S.R.	9,145	12,291	11,797	8,709	10,859	10,895	10,968	5,845	9,022
United Arab Republic	14,377	20,633	14,673	11,342	13,241	12,046	12,988	15,912	12,218
Turkey	13,423	21,661	13,214	9,554	10,526	12,159	-	-	-
Synthetic Fiber									
East Germany	-	10,285	10,443	9,487	9,502	3,981	6,925	6,246	6,150
Austria	7,811	12,888	10,827	6,373	6,332	7,152	5,752	6,014	5,973
Italy	8,114	10,365	8,426	6,910	-	6,222	5,748	6,083	5,978
Switzerland	-	-	-	-	-	-	5,593	5,600	-
West Germany	10,794	-	11,173	7,228	6,268	6,061	5,510	7,597	6,907

TABLE 47--Continued

Country	1950	1951	1952	1953	1954	1955	1956	1957	1958
Newsprint									
Czechoslovakia	-	2,693	2,268	2,674	2,627	2,581	2,524	2,322	1,779
East Germany	-	2,627	2,509	2,542	1,848	1,742	-	-	-
Poland	-	-	-	-	-	-	-	1,661	-
Roumania	1,426	2,007	2,108	1,640	1,683	1,639	-	-	-
U.S.S.R.	-	-	-	1,683	1,575	1,677	1,715	1,087	1,529
Austria	1,816	2,829	2,882	1,801	1,758	1,849	-	-	-
Switzerland	-	-	-	-	-	-	-	1,594	1,046
L u m b e r (per cubic meter)									
Czechoslovakia	334	390	491	458	438	492	493	484	482
Poland	371	436	448	483	444	528	-	-	-
East Germany	366	-	-	209	457	-	-	-	-
Roumania	280	345	441	433	426	460	422	422	387
U.S.S.R.	334	366	452	456	474	482	491	331	509
Austria	406	954	457	423	411	488	476	461	444
Yugoslavia	-	-	-	-	-	561	549	540	508
Finland	-	-	-	-	-	-	453	574	531

Source: Hungary, Central Statistical Office, SE 1949-1955, SE 1957, and SE 1958.

APPENDIX II

Subject: Test of Agreement on Multilateral Clearing signed on 20 June 1957 between member Governments of the Council for Mutual Economic Aid

AGREEMENT ON MULTILATERAL CLEARING

The Governments of the People's Republic of Albania, the People's Republic of Bulgaria, the Czechoslovak Republic, the German Democratic Republic, the Hungarian People's Republic, the Polish People's Republic, the Rumanian People's Republic and the Union of Soviet Socialist Republics, considering that the introduction of multilateral clearing accounts between their respective countries will promote a further increase in trade among them and also an expansion of their trade with other countries, have agreed as follows:

Article 1

Additional trade shall be carried out on a multilateral basis among the countries concluding the present Agreement which are already trading in pursuance of bilateral agreements between them so as to enable any country party to the Agreement to purchase goods in any other such country no matter in which such country party it may sell such goods.

Deliveries of goods pursuant to this Agreement shall be made in accordance with the general conditions of delivery in force between the countries parties to the Agreement.

Article 2

The following operations shall be carried out in pursuance of the present Agreement:

(a) transfers of the amounts, as determined by mutual agreement, by which the yearly bilateral trade agreements between countries parties to the Agreement fail to balance:

(b) transfers of individual amounts from the bilateral accounts to the multilateral clearing account by agreement between the interested parties.

Each country may propose to other countries parties to the present Agreement any goods for clearance through the multilateral clearing.

Article 3

The total amount of payments made through the multilateral clearing by each of the countries parties to the present Agreement in any calendar year shall be equal to the total amount of such country's receipts from other countries parties to the Agreement over the same period.

Article 4

For the purposes of accounting through the multilateral clearing, the Central Banks shall reciprocally open special interest-free rouble accounts. The Central Bank of the delivering country shall collect payment for goods delivered under the present Agreement, in accordance with the rules of the general conditions of delivery between the various countries, by debiting the account of the Central Bank of the purchasing country in the multilateral clearing.

Article 5

The Contracting Parties shall establish a Clearing Agency as a central institution for carrying out all accounting operations pursuant to the present Agreement. The Clearing Agency shall open a rouble account in favour of each of the Central Banks of the countries parties to this Agreement.

The Central Banks of the countries parties to the Agreement shall similarly open a rouble account in the name of the Clearing Agency.

The Central Banks of the countries parties to the agreement shall inform the Clearing Agency each month of the balance in their multilateral clearing accounts. The Clearing Agency shall determine on the basis of this return, the over-all balance in the account of each Central Bank and apply such balance to its account notifying the Bank concerned accordingly. Upon receipt of such notification, the Central Banks shall make the corresponding entries in their multilateral clearing accounts.

The countries parties to the Agreement shall entrust the operation of the Clearing Agency to the State Bank of the Union of Soviet Socialist Republics.

Expenditure incurred in operating the Clearing Agency shall be borne by the countries parties to the Agreement proportionately to the turnover in their accounts with the Clearing Agency.

Article 6

The amount which any country party to the Agreement may owe to the Clearing Agency, or the amount which it may receive from the Agency in the form of credits, shall be limited to 3 per cent of the value of such country's total exports during the previous year under bilateral agreements relating to reciprocal deliveries of goods among the countries parties to the Agreement.

Article 7

The Clearing Agency shall charge interest on all debit balances of countries parties to this Agreement in excess of 25 per cent of the limit laid down above. Interest shall be charged at the rate of 2 per cent per annum for debit balances amounting to between 25 and 50 per cent of the limit and at 3 per cent per annum for debit balances exceeding 50 per cent of the limit.

Article 8

The Clearing Agency shall ensure that no country party to this Agreement receives credits in excess of the limit established for such country. Where such limit is reached, the Clearing Agency shall notify all countries parties to the present Agreement thereof and the debtor country shall cease purchasing goods under this Agreement until such time as the state of its account allows it to make new purchases.

Article 9

Where the prescribed limit of indebtedness is exceeded, the debtor country undertakes to pay off the amount of such excess by deliveries of goods within a period of three months reckoned from the end of the month in which the excess indebtedness was incurred. Should such excess indebtedness not be liquidated within the prescribed period, the debtor country concerned undertakes to pay off the outstanding excess indebtedness within one month, by deliveries of the goods specified in the schedule annexed to the present Agreement.

Article 10

Where at the end of any calendar year the indebtedness of any country exceeds 25 per cent of the limit prescribed for it, the country concerned shall pay off the excess indebtedness within three months, upon which it may again avail itself of credits within the prescribed limit.

Article 11

The total amount of interest charged by the Clearing Agency in any year shall be distributed among creditor countries proportionately to the total amount and duration of their credit balances with the Clearing Agency.

Article 12

A commission consisting of representatives of the Ministries of Foreign Trade of the countries parties to the present Agreement shall be set up to agree all operations connected with the multilateral clearing, to consider proposals made or questions raised by individual countries, to consider the reports rendered by the Clearing Agency and to draw up recommendations for the further development of multilateral clearing.

The commission shall meet as required, but not less frequently than once a quarter. The commission shall draw up its own rules of procedure.

Article 13

The Central Banks of countries to the present Agreement shall agree the procedures for mutual accounting under the present Agreement.

Article 14

Other countries may accede to the present Agreement subject to the unanimous assent of all the Contracting Parties.

Article 15

The present Agreement shall come into force on the day on which it is signed and shall remain in force until such time as not less than two-thirds of the countries parties to it shall denounce it.

Any country party to this Agreement may withdraw therefrom by giving three months' notice of its intention.

Any debtor country shall, on withdrawal from the Agreement, pay off its indebtedness. Should such indebtedness not be paid off, the debtor country concerned undertakes to liquidate it within three months by deliveries of goods specified in the schedule annexed to this Agreement, or by payment in gold or in free currency.

Done at Warsaw on 20 June 1957 in one copy in each of the following languages, all of which are equally authentic: Albanian, Bulgarian, Czech, German, Hungarian, Polish, Rumanian and Russian.

Certified copies of the present Agreement shall be communicated to the Government of the Polish People's Republic, the depository for the Agreement, by all other countries parties thereto.

The following, being duly appointed thereto, have signed the present Agreement:

For the Government of the People's Republic of Albania
Kellezi
For the Government of the People's Republic of Bulgaria
Zhivkov
For the Government of the Czechoslovak Republic
Dvorak
For the Government of the German Democratic Republic
Huttenrauch
For the Government of the Hungarian People's Republic
Incze
For the Government of the Polish People's Republic
Trampczynski
For the Government of the Rumanian People's Republic
Popescu
For the Government of the Union of Soviet Socialist Republics
Loshakov

Annex to the Agreement on Multilateral Clearing of
20 June 1957

Goods by deliveries of which indebtedness
to the multilateral clearing can be settled

Hard coal
Synthetic rubber
Motor-vehicles tyres
Sawn timber
Diesel fuel
Fuel oil
Rolling mill products
Aluminum
Zinc concentrates
Potassium salts
Grain
Sugar
Meat
Tobacco

BIBLIOGRAPHY

BOOKS

- Balassa, Bela. The Hungarian Experience in Economic Planning: A Theoretical and Empirical Study. (Yale Studies in Economics: 11.) New Haven, Conn.: Yale University Press, 1959.
- Condoide, Mikhail V. Russian-American Trade; A Study of Soviet Foreign Trade Monopoly. Columbus, Ohio: Bureau of Business Research, The Ohio State University, 1946.
- Condoide, Mikhail V. The Soviet Financial System: Its Development and Relations with the Western World. Columbus, Ohio: Bureau of Business Research, The Ohio State University, 1951.
- DeVries, Rimmer. International Trade Between Free and Controlled Economies; Theoretical Implications and Policies. Ph.D. dissertation, The Ohio State University, 1955.
- Grossman, Gregory (ed.) Value and Plan; Economic Calculation and Organization in Eastern Europe. (Russian and East European Studies: 5.) Berkeley: University of California Press, 1960.
- Helmreich, Ernst C. (ed.) Hungary. New York: Published for the Mid-European Studies Center of the Free Europe Committee, Inc. by Frederick A. Praeger, 1956.
- Kemeny, George. Economic Planning in Hungary 1947-9. London: Royal Institute of International Affairs, 1952.
- Kornai, Janos. Overcentralization in Economic Administration; A Critical Analysis Based on Experience in Hungarian Light Industry. Translated by John Knapp. Glasgow: Oxford University Press, 1959.
- Mikesell, Raymond F. and Behrman, Jack N. Financing Free World Trade with the Sino-Soviet Bloc. (Princeton Studies in International Finance: 8.) Princeton, N.J.: International Finance Section, Department of Economics and Sociology, Princeton University, 1958.
- Schweng, L. D. Economic Planning in Hungary Since 1938. New York: The Mid-European Studies Center of the National Committee for a Free Europe, Inc., 1951.
- Spulber, Nicolas. The Economics of Communist Eastern Europe. New York: The Technology Press of Massachusetts Institute of Technology and John Wiley & Sons, Inc., 1957.

ARTICLES AND PERIODICALS

American Economic Review

Ames, Edward. "Economic Integration in the European Soviet Bloc?" Vol. XLIX, No. 2 (May 1959), p. 113.

Ames, Edward. "International Trade Without Markets--the Soviet Bloc Case." Vol. XLIV, No. 5 (December 1954), p. 791.

Spulber, Nicolas. "Discussion on the Paper by Edward Ames, 'Economic Integration in the European Soviet Bloc?' " Vol. XLIX, No. 2 (May 1959), p. 125.

The Annals of the American Academy of Political and Social Science

Ames, Edward. "Economic Policy in Eastern Europe from 1950 Through 1956." May 1958, p. 22.

Belpolitikai Szemle

Fáy, József. "Two Different Kinds of Foreign Trade." Vol. II, No. 3 (March 1959), p. 41.

Gallai, Lajos. "The 1959 Budget." Vol. II, No. 1 (January 1959), p. 3.

Gombó, Pál. "The Chinese Jump." Vol. II, No. 3 (March 1959), p. 65.

Kolacsek, András. "Isolation or Tourist Trade." Vol. II, No. 1 (January 1959), p. 46.

Tallós, György. "The March Party Decision and Foreign Trade." Vol. II, No. 8 (August 1959), p. 17.

"The March 6 Decision of the Central Committee of the Hungarian Socialist Workers Party." Vol. II, No. 3 (March 1959), p. 3.

Collectivization of Agriculture in Eastern Europe. Edited by Irwin T. Saunders.

Spulber, Nicolas. "Collectivization in Hungary and Romania." Lexington, Ky.: University of Kentucky Press, 1958, p. 140.

The Fate of East Central Europe. Edited by Stephen D. Kertesz.

Spulber, Nicolas. "Problems of East-West Trade and Economic Trends in the European Satellites of Soviet Russia." University of Notre Dame Press, 1956, p. 154.

Gazdasági Figyelő

Arányi, S. "What Foreign Trade Demands from the Machine Tool Industry." Vol. I, No. 15 ((August 1957), p. 13.

Droppa, Guztáv. "Developments In Hungarian Bulgarian Economic Relations." Vol. I, No. 12 (July 1957), p. 16.

Facsady, Kálmán. "Hungary Leading in Machine Exports Among Nations." Vol. I, No. 11 (June 1957), p. 6.

Facsady, Kálmán. "The Price Level of Our Machinery Export in the Capitalist World Market." Vol. I, No. 12 (July 1957), p. 14.

Faluvégi, Lajos and Szigetvári, Sándor. "Our Export of Honey." Vol. I, No. 9 (May 1957), p. 13.

G. Sz. L. "Csepel Exports a Pipe Factory to China." Vol. I, No. 13 (July 1957), p. 4.

Hazai, Géza. "From the Feather Collection to the Foreign Buyer." Vol. I, No. 13 (July 1957), p. 13.

"Information in the Interest of Increasing Our Exportation of Fruits." Vol. I, No. 10 (June 1957), p. 8.

Keserű, Jánosné. "Experiences During the First Four Months of Free Buying and Products Arriving on Free Markets." Vol. I, No. 10 (June 1957), p. 12.

Kertai, György. "Mineral Resources of Hungary; Crude Oil and Natural Gas." Vol. I, No. 12 (July 1957), p. 15.

Kiss, Tibor. "Coal Supply of Our Country and the Joint Efforts of the Mutual Economic Assistance Plan; Countries for the Increase of Coal Production." Vol. I, No. 12 (July 1957), p. 12.

Kövári, László. "The Foreign Trade Situation During 1957." Vol. I, No. 9 (May 1957), p. 1.

Lándori, György. "The Control Work of State Organs." Vol. I, No. 11 (June 1957), p. 4.

N., K. "What Factors Hinder the Development of Export in a Fancy-Leather Goods Cooperative." Vol. I, No. 15 (August 1957), p. 13.

Nagy, Ferenc. "Our Negotiation with European People's Democratic Countries Related to Exchange of Goods in 1957." Vol. I, No. 10 (June 1957), p. 11.

Nagy, László. "Fish is a Valuable Export Commodity." Vol. I, No. 11 (June 1957), p. 13.

P., J. "Hungarian-Chinese Agreement on the Exchange of Goods and on Payments." Vol. I, No. 11 (June 1957), p. 10.

Panto, Endre. "Iron Ore; Mineral Resources of the Hungarian Soil." Vol. I, No. 13 (July 1957), p. 15.

"The Reverse Side of the Medal; Statements of a Foreign Trade Enterprise on the Reorganization of Foreign Trade." Vol. I, No. 21 (November 1957), p. 8.

Sebestyén, Győző. "We Should Examine the Honey-Export Economy More Thoroughly." Vol. I, No. 11 (June 1957), p. 7.

"The Situation and Perspective of Our Agricultural Exports; A Statement by Janos Mulato, Section Chief of the Ministry of Foreign Trade." Vol. I, No. 11 (June 1957), p. 13.

Szabó, László. "Economical Methods in Supply of Consumer Goods." Vol. I, No. 9 (May 1957), p. 13.

Szekér, Gyula. "Metallurgic Treasures of the Hungarian Land: Bauxite." Vol. I, No. 10 (June 1957), p. 5.

V., Gy. "The Spirit of Intellectual Export is Still Alive." Vol. I, No. 17 (September 1957), p. 3.

Varga, István. "What Does Technical Progress Mean from the Point of View of Long-Range Planning and Foreign Trade?" Vol. I, No. 21 (November 1957), p. 5.

Vincze, Oszkár. "Ceramics, an Old Industry Working for Export, Produces 60 Million Forints Worth of Foreign Currency." Vol. I, No. 7 (April 1957), p. 2.

"We Export Complete Canning Factories to the Soviet Union." Vol. I, No. 15 (August 1957), p. 13.

Ipari és Statisztikai Értesítő

Káldor, Mihály. "Methodological Problems of Export Statistics in Regard to Industrial Enterprises." Vol. VIII, No. 7/8 (July/August 1956), p. 252.

Közgazdasági Szemle

Ács, Magda. "Role of International Division of Labor Balance Sheet System Adopted for the National Economy in Planning." Vol. II, No. 5 (May 1955), p. 533.

Balázsy, Sándor. "Economic Character of Foreign Trade." Vol. IV, No. 2 (February 1957), p. 303.

Bencze, Nóra. "'The Techniques of Foreign Trade' by György Obláth: A Book Review." Vol. II, No. 5 (May 1955), p. 617.

Bognár, József. "Problems of Our Foreign Trade." Vol. IV, No. 8/9 (August/September 1957), p. 835.

Bognár, József. "Some Theoretical and Practical Problems of the Socialist Way of Research in Demand." Vol. VI, No. 5 (May 1959), p. 457.

Bognár, József and Vajda, Imre. "Problems of Economic Cooperation Between Socialist Countries." Vol. V, No. 1 (January 1958), p. 34.

Brauer, Rudolf. "Foreign Trade Problems of the German Democratic Republic." Vol. V, No. 10 (October 1958), p. 1069.

Bródy, András. "Input-Output; A Method for the Analysis of National Economic Processes." Vol. IV, No. 2 (February 1957), p. 145.

Búzás, József. "Ten Years of Development in Our Foreign Trade." Vol. II, No. 3/4 (March/April 1955), p. 462.

Csikós-Nagy, Béla. "The International Comparison of Production Costs." Vol. VI, No. 10 (October 1959), p. 1070.

- Csikós-Nagy, Béla. "Problems of Pricing in Socialist World Markets." Vol. VI, No. 12 (December 1959), p. 1295.
- Csikós-Nagy, Béla. "The Law of Value and Price." Vol. V, No. 11 (November 1958), p. 1109.
- Cukor, György. "Calculating the Profitability of Industrial Export." Vol. V, No. 4 (April 1958), p. 346.
- E., Zs. "József Búzás' Hungary's Foreign Trade, 1919-1938; A Debate on a Candidate's Dissertation." Vol. III, No. 9 (September 1956), p. 1100.
- Engel, Gábor. "Investigation of Economy in Foreign Trade." Vol. II, No. 1 (January 1955), p. 79.
- Erdős, Péter. "Categories of Value in the Socialist-Planned Economy." Vol. VI, No. 1 (January 1959), p. 1.
- Erdős, Péter. "Some Theoretical Problems of Planned Economy." Vol. III, No. 6 (June 1956), p. 676.
- Erős, Gyula; Wiesel, Iván; and Zentai, Dezső. "A Practical Method of Calculation for the Export Economy; Remarks Regarding the Debate on the Economy of Foreign Trade." Vol. IV, No. 8/9 (August/September 1957), p. 869.
- Farkas, I. "New Characteristics of Our Investment Policy." Vol. V, No. 11 (November 1958), p. 1149.
- Farkas, Imre. "Economic Effectiveness of Investment." Vol. II, No. 11 (November 1955), p. 1340.
- Gergely, Sándor and Wessely, Vilmos. "Unused Stock, Our Important Reserves." Vol. III, No. 1 (January 1956), p. 177.
- Göncöl, György. "'European Integration' and Imperialist Antagonism." Vol. III, No. 3 (March 1956), p. 275.
- Göncöl, György. "International Economic Relations in the Transition Period." Vol. III, No. 7/8 (July/August 1956), p. 816.
- Göncöl, György. "Marxist Theory of Foreign Trade; Historical Difference Between the Starting Points of Ricardo and Marx." Vol. II, No. 11 (November 1955), p. 1281.

- Göncöl, György. "Note on the Problems of the International Division of Labor." Vol. VI, No. 8/9 (August/September 1959), p. 811.
- Göncöl, György. "The Law of Value in Capitalism and Socialism." Vol. V, No. 5 (May 1958), p. 464.
- Hoch, Róbert, and Rédei, Aranka. "Main Principles of the Formation of Consumers' Prices." Vol. IV, No. 1 (January 1957), p. 1.
- Jónai, Endre. "Investigation of the Economy of Our Export." Vol. I, No. 2 (November 1954), p. 201.
- Karády, Gyula. "Calculation of the Economic Character of Foreign Trade." Vol. VI, No. 2 (February 1959), p. 113.
- Karády, Gyula. "New Trends in Our Foreign Trade." Vol. VI, No. 11 (November 1959), p. 1141.
- Kiss, Tibor. "Main Correlations Between National Income and Foreign Trade in Hungary." Vol. IV, No. 6 (June 1957), p. 637.
- Kiss, Tibor. "Results and Possibilities of Cooperation Between Hungary and Other Countries of the Socialist Camp." Vol. III, No. 7/8 (July/August 1956), p. 796.
- Klár, János and Heidegger, Ernő. "Some Remarks on the Question of the Economical Processing of Hungarian Bauxite." Vol. V, No. 2 (February 1958), p. 214.
- Kornai, János. "The 'Quantitative Outlook' and the 'Economic Outlook'." Vol. VI, No. 10 (October 1959), p. 1083.
- Kövári, László and Lázár, György. "New Facts in Soviet-Hungarian Economic Relations." Vol. IV, No. 6 (June 1957), p. 593.
- Liska, Tibor. "Experimental Calculation of the Economy of Our Investments Seen from the Point of View of Our Participation in the International Division of Labor." Vol. III, No. 5 (May 1956), p. 517.
- Liska, Tibor. "Problems of Calculating an Export-Efficiency Coefficient." Vol. VII, No. 3 (March 1960), p. 334.
- Liska, Tibor and Máriás, Antal. "A Thrifty Economy and International Economic Specialization." Vol. I, No. 1 (October 1954), p. 75.

- Mandel, Miklós; Szunyogh, Zoltán; and Varga, Jenő. "Methods for Calculating the Economy of Productive Investments." Vol. V, No. 3 (March 1958), p. 257.
- Markos, György; Michaletzky, Vilmos; and Balázs, Sándor. "Problems of the Hungarian Bauxite and Aluminum Production." Vol. IV, No. 10 (October 1957), p. 1047.
- Michaletzky, Vilmos. "An Answer to the Remarks on the Article 'Economical Problems of Bauxite and Aluminum Production in Hungary.'" Vol. V, No. 2 (February 1958), p. 216.
- Molnár, Ferenc. "Some Correlations Between Industrialization and Foreign Trade in Economically Underdeveloped Countries." Vol. IV, No. 8/9 (August/September 1957), p. 934.
- Morva, Tamás. "Relationships Between the Balance Sheet of Foreign Trade and Payments and that of the National Product and National Income." Vol. V, No. 10 (October 1958), p. 1039.
- Nagy, András. "Relation Between the Export Volume and the Economical Character of Certain Products." Vol. VI, No. 6 (June 1959), p. 617.
- Nagy, András. "The Question of Economical Foreign Trade in the Polish Publications on Economics." Vol. V, No. 6 (June 1958), p. 614.
- Palovico, B. "Agrarian Producer Prices in Western Europe and in Hungary." Vol. IV, No. 6 (June 1957), p. 683.
- Péter, György. "Significance of Economy and Profitability in Planned Economy." Vol. III, No. 6 (June 1956), p. 695.
- Péter, Pál. "Hungarian-Russian Economic Relations." Vol. III, No. 10 (October 1956), p. 1203.
- Rába, András. "Some Problems of East-West Trade." Vol. III, No. 3 (March 1956), p. 340.
- Ribiánszky, Miklós. "Biogas, A New Source of Agricultural Energy." Vol. V, No. 5 (May 1958), p. 542.
- Ripp, G. "Systematic Planning and Spontaneity." Vol. V, No. 2 (February 1958), p. 133.
- Sovány, Ferenc. "Fundamental Problems of Rationalization in the Supply of Materials." Vol. III, No. 9 (September 1956), p. 1041.

- Szányi, Jenő. "Indexes Showing the Economy of Exports." Vol. II, No. 6 (June 1955), p. 710.
- Szigethy, Károly. "From the Experiences of the Direct Export Activities of Production Enterprises." Vol. V, No. 5 (May 1958), p. 534.
- Tatár István. "Timely Problems of Our Foreign Trade." Vol. IV, No. 2 (February 1957), p. 181.
- Turánszky, Miklós. "The Concept of Investment Efficiency and Its Numerical Calculation." Vol. II, No. 5 (May 1955), p. 579.
- Vági, Ferenc. "The Amount of Money in Circulation and the Cash Money of the Population." Vol. V, No. 11 (November 1958), p. 1121.
- Varga, Edit. "The Improvement of Planning Methods." Vol. V, No. 6 (June 1958), p. 696.
- Varga, István. "Some Thoughts on the Improvement of Planning Methods in the National Economy." Vol. V, No. 2 (February 1958), p. 151.
- Varga, Jenő. "Accumulation and Economy." Vol. VI, No. 5 (May 1959), p. 522.
- Varga, Jenő. "Some Additional Data on the Investigation of the Profitability of Buaxite and Aluminum Export." Vol. V, No. 2 (February 1958), p. 210.
- Vincze, Imre. "Methods of Making New Producers' Prices." Vol. VI, No. 1 (January 1959), p. 36.
- Wolfram, Roland. "Problems of the Economy in Foreign Trade; Significance of Economy in Planning and International Economic Specialization." Vol. II, No. 1 (January 1955), p. 69.

Külkereskedelem

- Akar, László. "Tasks for 1960." Vol. III, No. 12 (December 1959), p. 1.
- Akar, László. "Fulfillment of the 1958 Foreign Trade Plan." Vol. III, No. 3 (March 1959), p. 1.
- Akar, László. "Three-Year Plan of Foreign Trade." Vol. II, No. 7 (July 1958), p. 6.

- "Analysis of the Price Level of Our Export and Import Business on the Basis of Respective Price Balances." Vol. III, No. 7 (July 1959), p. 17.
- Baczoni, Jenő. "A Retrospective Look at Foreign Trade." Vol. II, No. 2 (February 1958), p. 1.
- Bakonyi, Antalné. "Regulation of Production Cost and Foreign Trade." Vol. III, No. 1 (January 1959), p. 4.
- Bakos, György. "Some Problems of Material Incentives." Vol. II, No. 1 (January 1958), p. 13.
- Benedek, Vilmos. "Experiences of Electroimpex and the Direct Export Operations of Industrial Enterprises." Vol. I, No. 3 (December 1957), p. 3.
- Bognár, József. "Monopoly and Centralization." Vol. II, No. 1 (January 1958), p. 1.
- Biszterszky, Elemér. "The Aid of Foreign Trade in Developing the Collective Farm Movement." Vol. III, No. 9 (September 1959), p. 3.
- Czeitler, Sándor. "Tasks for the Agriculture of the Countries of the Council for Economic Mutual Assistance and the Possibilities of Economic Cooperation." Vol. II, No. 7 (July 1958), p. 11.
- "Debts Must Be Paid!" Vol. III, No. 10 (October 1959), p. 26.
- Dunakszki, András and László, Tibor. "Experiences up to Now with the Independent Export Operation of the Ganz Electric Meter Factory." Vol. II, No. 1 (January 1958), p. 5.
- Endrei, Walter. "On the Problem of Our Exportation of Cotton Fabrics." Vol. III, No. 3 (March 1959), p. 11.
- Erdélyi, György. "Price Documentation of Foreign-Trade Enterprises." Vol. III, No. 2 (February 1959), p. 15.
- Erős, Géza. "Some Problems of Combined Enterprises." Vol. II, No. 8 (August 1958), p. 12.
- "Evolution of the Import of Prime Necessities and Consumer Goods." Vol. III, No. 7 (July 1959), p. 32.

Facsady, Kálmán and Villányi, József. "Role of Foreign Trade Investments." Vol. II, No. 8 (August 1958), p. 5.

Falus, Sándor. "The Opening of New Markets; The Slogan and Practice." Vol. II, No. 1 (January 1958), p. 20.

"For More Regulated Legal Relations, and for Better Socialist Cooperation; A Conference on the Collaboration Between Industry and Foreign Trade Arranged by Külkereskedelem." Vol. III, No. 9 (September 1959), p. 14.

Gellért, Andor. "What Did Tannimpex Do for the Development of Young Workers and What More Could It Do?" Vol. III, No. 3 (March 1959), p. 21.

"General Assembly of the Hungarian Bank for Foreign Trade." Vol. II, No. 7 (July 1958), p. 21.

Gergely, Ödön. "Foreign Trade and the Knowledge of Languages." Vol. II, No. 2 (February 1958), p. 19.

Görög, Tibor. "Language Courses for Foreign Trade Employees." Vol. I, No. 3 (December 1957), p. 20.

Görög, Tibor. "The Role of Market Research in Foreign Trade." Vol. I, No. 2 (November 1957), p. 14.

Gortvai, Zsigmond. "Textile Raw Material Imports of Hungary." Vol. II, No. 7 (July 1958), p. 16.

Halász, Zoltán. "The Insolubility of the Problem of Export Index Hinders the Development of Our Bookkeeping." Vol. II, No. 9 (September 1958), p. 20.

Hamburger, László. "A New Form of Relationship Between Industry and Foreign Trade: The Council of Managers." Vol. II, No. 7 (July 1958), p. 14.

Hamburger, László. "Some Inadequacies of the System of Foreign Trade Bonus and Price-Leveling Premium." Vol. III, No. 1 (January 1959), p. 19.

Havas, Józsefné. "Some Experiences with the Work of Market Research Institutions on the German Democratic Republic and Czechoslovakia." Vol. II, No. 1 (January 1958), p. 15.

- "Ivan Tutev's 'Multilateral Clearing Between Socialist Countries'; A Review of an Article." Vol. I, No. 2 (November 1957), Vol. I, No. 2 (November 1957), p. 26.
- Kadala, Miklós and Mathéser, János. "Results and Experiences of the 1959 Hungarian-Soviet Barter Negotiations." Vol. III, No. 2 (February 1959), p. 8.
- Karácsonyi, Jenő. "Some Problems of the Prospective Plan of Foreign Trade for the Years 1961-1965." Vol. III, No. 1 (January 1959), p. 10.
- Karády, Gyula. "Some Current Problems of Foreign Trade." Vol. II, No. 7 (July 1958), p. 1.
- Katus, László. "Relation Between Foreign Trade and Industry, Influence of Foreign Trade on Industrial Production." Vol. II, No. 9 (September 1958), p. 9.
- Korán, Imre. "Main Industrial Enterprise of the Exportation of Big Equipment." Vol. III, No. 3 (March 1959), p. 3.
- Kovácsnai, Gyula. "Computation and Role of Regional Price Level Factors." Vol. III, No. 3 (March 1959), p. 14.
- Lakos, Gyula. "Some Problems of Local and Small Industrial Exports." Vol. I, No. 2 (November 1957), p. 7.
- Lajos, Géza. "Staff Problems in Foreign Trade." Vol. II, No. 2 (February 1958), p. 20.
- Lieszkovszky, Zoltánné. "Tasks in the Field of Foreign Trade in the Discussion of the Second Congress of Our Trade Union." Vol. II, No. 2 (February 1958), p. 5.
- Lindner, László. "Building Material Import and Construction of Houses." Vol. III, No. 2 (February 1959), p. 11.
- Marton, János. "Hungarian-Austrian Economic Relations." Vol. III, No. 9 (September 1959), p. 6.
- Martos, István. "Effect of Autonomous Export-Import Activities on the Roentgen Factory." Vol. I, No. 3, (December 1957), p. 5.
- Moldvai, András. "Experiences of the Hungarian National Bank with the Inadequacies of Letters of Credit." Vol. I, No. 3 (December 1957), p. 10.

- Molnár, Ferenc. "Economic Relations Between Hungary and Egypt." Vol. I, No. 3 (December 1957), p. 7.
- Móra, Imre. "What Should We Pay Attention to in Signing a Contract?" Vol. II, No. 2 (February 1958), p. 26.
- Mulató, János. "The Most Important Foreign Trade Problems in Agriculture and Food Industry." Vol. II, No. 1 (January 1958), p. 4.
- N., S. "On the Organization of the Council for Economic Mutual Assistance." Vol. II, No. 8 (August 1958), p. 17.
- Nemes, István. "On the Operations of Foreign Trade Information Service." Vol. II, No. 8 (August 1958), p. 3.
- "Our Foreign Trade of Consumer Goods." Vol. III, No. 7 (July 1959), p. 4.
- Perjes, Sándor. "Market Centres of Gravity, Some Problems of Export and Import Ranges in Our Trade with Capitalist Countries." Vol. III, No. 10 (October 1959), p. 3.
- Povinec, István. "Remarks on the Article 'Tasks for Interstate Departments.'" Vol. I, No. 2 (November 1957), p. 15.
- Rába, András. "Some Phenomena of Foreign Trade in the Perspective of Two Decades." Vol. II, No. 7 (July 1958), p. 8.
- Radó, László. "The Capitalist Machinery Market and the Situation of the Hungarian Machinery Export." Vol. I, No. 2 (November 1957), p. 10.
- "Remarks on the Article 'Experiences from Moscow on the Work of the Economic Departments of Foreign Trade Enterprises.'" Vol. II, No. 2 (February 1958), p. 18.
- "Remarks on the Article 'The Role of Marketing Research in Foreign Trade.'" Vol. II, No. 2 (February 1958), p. 17.
- Sebestyén, Tibor. "Role and Tasks of Propaganda Work in Import: From the Experiences of Chemolipex." Vol. III, No. 7 (July 1959), p. 14.
- Sik, György. "Foreign Trade Situation of Light Industry and Some Problems in the Three Year Plan." Vol. II, No. 7 (July 1958), p. 4.

- "Some Practical Advice Concerning the Investigation of Foreign Bank Guarantees." Vol. II, No. 8 (August 1958), p. 27.
- Sötér, Jenő. "Problems of Danube Transportation." Vol. II, No. 8 (August 1958), p. 11.
- Sugár, Tamás. "The Work of the Permanent Committee on Machine Industry of the Council for Economic Mutual Assistance." Vol. III, No. 9 (September 1959), p. 1.
- Szabó, László. "Public Opinion Poll of Domestic Consumers and Foreign Trade." Vol. III, No. 10 (October 1959), p. 21.
- Szabó, László. "Relation Between the Bank of Investments and Foreign Trade Organs." Vol. III, No. 1 (January 1959), p. 8.
- Szabó, Miklós. "Some Problems with the Export of Hungarian Medical Appliances." Vol. II, No. 2 (February 1958), p. 21.
- Szányi, Jenő. "Experiences from Moscow; The Work of the Economic Departments of the Foreign Trade Enterprises." Vol. I, No. 3 (December 1957), p. 15.
- T., A. "The Common Market; The Entry and Penetration into It." Vol. II, No. 1 (January 1958), p. 19.
- Tallós, György. "On the 1959 Foreign Trade Plan." Vol. III, No. 1 (January 1959), p. 1.
- Tardos, Márton. "Evolution of the Foreign Trade of the Soviet Union Since the Second World War." Vol. II, No. 9 (September 1958), p. 1.
- Tardos, Márton. "Critical Condition Capitalist Raw Material Market." Vol. III, No. 10 (October 1959), p. 12.
- Tóth, Sándor. "Revision of the Swiss Tariff; Evolution of the Tariff Situation in Regard to Our Export Articles." Vol. I, No. 3 (December 1957), p. 13.
- Vajda, Imre. "Some Problems of Professional Training in the Field of Foreign Trade." Vol. III, No. 1 (January 1959), p. 6.
- Vattai, György. "Guarantees in Connection with Bills of Lading." Vol. II, No. 7 (July 1958), p. 27.

Vaszily, György. "Evolution of the Foreign Trade of the Chinese People's Republic from 1949 to 1957." Vol. II, No. 2 (February 1958), p. 15.

"We Should Think about the Good Reputation of the Shipment for Exportation." Vol. III, No. 3 (March 1959), p. 20.

"We Should Think More of the Increased Use of Seagoing Ships of the People's Democracies." Vol. II, No. 8 (August 1958), p. 10.

Law and Contemporary Problems

Mikesell, Raymond F. and Wells, Donald A. "State Trading in the Sino-Soviet Bloc." Vol. XXIV, No. 3, Part. II (Summer 1959), p. 435.

Spulber, Nicolas. "The Soviet-Bloc Foreign Trade System." Vol. XXIV, No. 3, Part II (Summer 1959), p. 420.

Pártélet

Keserű, Jánosné. "Some Current Questions of the Development of Our National Economy." Vol. III, No. 11 (November 1958), p. 14.

Rév, Lajos. "Our Foreign Trade During the First Three Quarters of 1958." Vol. III, No. 12 (December 1958), p. 21.

Pénzügy és Számvitel

Antos, István. "The 1959 Budget." Vol. III, No. 3 (March 1959), p. 86.

Erős, Gyula. "Development of Interest in Foreign Trade Work." Vol. II, No. 4 (April 1958), p. 125.

Erős, Gyula. "The Question of Economy in Our Foreign Trade." Vol. II, No. 6 (June 1958), p. 202.

Neményi, István. "Financial Problems of Investments." Vol. II, No. 4 (April 1958), p. 121.

Schmidt, Ádám. "Proportion Between Direct and Indirect Taxes." Vol. II, No. 12 (December 1958), p. 544.

Timár, Mátvás. "The National Economic Balance as Reflected in the Budget." Vol. I, No. 2 (November 1957), p. 49.

Pénzügyi Szemle

Erdei, József. "The Relationship Between Sales Tax and Price." Vol. III, No. 3/4 (March/April 1956), p. 124.

Polonyi Szűcs, Lajos. "Taxation of the Population with Special Respect to the General Income Tax of the Farm Population." Vol. III, No. 5 (May 1956), p. 193.

Quarterly Journal of Economics

Granick, David. "The Pattern of Foreign Trade in Eastern Europe and Its Relation to Economic Development Policy." Vol. LXVIII, No. 3 (August 1954), p. 377.

Resources and Planning in Eastern Europe. Edited by Norman J. G. Pound and Nicolas Spulber. (Indiana University. Graduate School. Slavic and East European Studies: 4.)

Granick, David. "Economic Relations with the U.S.S.R." Bloomington, Ind.: Indiana University, 1957, p. 129.

The Review of Economics and Statistics

Mendershausen, Horst. "The Terms of Soviet-Satellite Trade: A Broadened Analysis." Vol. XLII, No. 2 (May 1960), p. 152.

Mendershausen, Horst. "Terms of Trade Between the Soviet Union and Smaller Communist Countries, 1955-1957." Vol. XLI, No. 2, Part I (May 1959), p. 106.

Spulber, Nicolas and Gehrles, Franz. "The Operation of Trade within the Soviet Bloc." Vol. XL, No. 2 (May 1958), p. 140.

Statisztikai Szemle

Benedeckí, Jánosné and Dreschler, László. "The Problem of National Revenue from Foreign-Trade Operations; A Remark." Vol. XXXV, No. 3 (March 1957), p. 231.

- Berecky, Ödön. "Trade Relations Between East and West." Vol. XXXIII, No. 10 (October 1955), p. 945.
- Boóc, Imre and Sebestyén, Péter. "Remarks on Comrade József Fáy's Article 'Determining Whether Export is Economical.'" Vol. XXXII, No. 4 (April 1954), p. 332.
- D., E-né. "Latest Development of Trade Between East and the West." Vol. XXXIII, No. 2 (February 1955), p. 189.
- Deák, Ferenc; Sóky, Dezső; and Szende, György. "Planning and Profitability of Investments." Vol. XXXV, No. 1/2 (January/February 1957), p. 50.
- F., J. "Input-Output Calculations in Poland; An Investigation by Professor Romanink at the Karl Marx University of Economic Sciences," Vol. XXXVI, No. 1/2 (January/February 1958), p. 143.
- Fáy, József. "Foreign Trade Bearings on the Evolution of the New Price System of Production." Vol. XXXIV, No. 11/12 (November/December 1956), p. 947.
- Ferge, Sándorné. "Foreign Trade in the Balance of National Revenue." Vol. XXXIV, No. 2 (February 1956), p. 135.
- Ferge, Sándorné. "Once More on Foreign Trade in the Balance of the National Income." Vol. XXXV, No. 7 (July 1957), p. 598.
- Fóti, I. "Foreign Trade of the Soviet Union with European Capitalist Countries." Vol. XXXIV, No. 1 (January 1956), p. 85.
- Hajpál, Gyula. "Remark on the Principles of the Problem of Methodology Concerning the National Income; Another Remark on Róbert Horváth's Theoretical Study." Vol. XXXV, No. 7 (July 1957), p. 586.
- Hajpál, Gyula. "Some Economical-Theoretical Problems of the Concept of the Definitions of National Income." Vol. XXXIV, No. 11/12 (November/December 1956), p. 990.
- Horváth, Róbert. "Methodological Problems of the History of the Theory of the Computation of National Income." Vol. XXXV, No. 6 (June 1957), p. 463.
- "Important Data on the Period from October to December 1956." Vol. XXXIV, No. 11/12 (November/December 1956), p. 917.

- Kemenes, Egon. "Activity Within the Enterprise in Supplying Data by Statistical Groups on Foreign Trade Enterprises." Vol. XXXI, No. 11 (November 1953), p. 925.
- Kenessey, Zoltán; Neményi, Vilmos; and Simon, Józsefné. "Methodology of the Bourgeois National Income Statistics." Vol. XXXIV, No. 6 (June 1956), p. 526.
- Kenessey, Zoltán; Neményi, Vilmos; Szakolczai, György. "Presentation of the System of Input-Output in Outlines." Vol. XXXV, No. 1/2 (January/February 1957), p. 23.
- Kenessey, Z.; Neményi, V.; and Szakolczai, Gy. "Presentation of the System of Input-Output in Outlines. Part II." Vol. XXXV, No. 3 (March 1957), p. 186.
- Kerényi, László. "Foreign Trade Relations of Hungary with European Capitalist Countries, 1945-1956." Vol. XXXV, No. 3 (March 1957), p. 225.
- Mód, Aladárné. "A Comparison of the Economic Accounting Systems of Socialist and Capitalist Countries." Vol. XXXVII, No. 10 (October 1959), p. 1000.
- Ormai, László. "Development of the Hungarian Petroleum Industry." Vol. XXXVII, No. 10 (October 1959), p. 963.
- Pálos, I. "Authorization of Systems for Statistical Reports and Simplification of Statistical Work." Vol. XXXIV, No. 6 (June 1956), p. 481.
- Román, Zoltán. "Switch to the New Index of Industrial Production." Vol. XXXV, No. 6 (June 1957), p. 429.
- Szakolczai, György. "Use of Foreign Trade Barter Ratios for the Analysis of the Profitableness of Foreign Trade." Vol. XXXVII, No. 1 (January 1959), p. 51.
- Turánszky, Miklós. "Some Problems of Planning Investments." Vol. XXXVI, No. 12 (December 1957), p. 1025.

Statisztikai Tajekoztató

- Dénes, Endréné. "Trade Relations Between Socialist and Capitalist Countries." Vol. 1954, No. 1, p. 32.

U.S. Department of State. Bulletin.

Hilton, H. J., Jr. "Hungary: A Case History of Soviet Economic Imperialism." Vol. XXV, No. 635, Publication 4327 (August 27, 1951), p. 323.

Note: The English translations of the titles of Hungarian journal articles, wherever possible, were adopted without change from the East European Accessions Index. Although some of the translations in the Index were cast in poor English, indeed, in some instances they were translated so poorly that the meaning of the Hungarian title was changed, the author did not take it upon himself to destroy the reference value of the titles by giving their correct translation.

PUBLIC DOCUMENTS

Hungary, Central Statistical Office. Magyar Statisztikai Zsebkönyv 1956. Budapest, 1956.

Hungary. Central Statistical Office. Magyar Statisztikai Zsebkönyv 1957. Budapest, 1957.

Hungary. Central Statistical Office. Magyar Statisztikai Zsebkönyv 1958. Budapest, 1958.

Hungary. Central Statistical Office. Statisztikai Évkönyv 1949-1955. Budapest, 1957.

Hungary. Central Statistical Office. Statisztikai Évkönyv 1956. Budapest, 1958.

Hungary. Central Statistical Office. Statisztikai Évkönyv 1957. Budapest, 1959.

Hungary. Central Statistical Office. Statisztikai Évkönyv 1958. Budapest, 1960.

U.N. Department of Economic and Social Affairs. Economic Survey of Europe in 1957. Prepared by the Research and Planning Division, Economic Commission for Europe. Geneva, 1958.

U.N. Statistical Office. Department of Economic Affairs. Statistical Yearbook 1952. New York, 1952.

U.N. Statistical Office. Department of Economic Affairs. Statistical Yearbook 1953. New York, 1953.

- U.N. Statistical Office. Department of Economic Affairs. Statistical Yearbook 1954. New York, 1954.
- U.S. Congress. Joint Economic Committee. Comparisons of the United States and Soviet Economies, Hearings Before the Joint Economic Committee. 86th Cong., 1st Sess., 1959.
- U.S. Congress. Joint Economic Committee. Comparisons of the United States and Soviet Economies, Papers Submitted by Panelists Appearing Before the Subcommittee on Economic Statistics. 86th Cong., 1st Sess., 1959.

UNPUBLISHED MATERIAL

Text of Agreement on Multilateral Clearing Signed on 20 June 1957
Between Member Governments of the Council for Mutual Economic
Aid. An unofficial translation.

AUTOBIOGRAPHY

AUTOBIOGRAPHY

I, Laszlo Zsoldos, was born in Szentes, Hungary, January 29, 1925. I received my secondary-school education in the Gymnasium of Szentes, matriculating in 1942. I received a Certificate of Commerce from the University of Kolozsvár, Hungary, in 1944 and continued my studies between 1946 and 1948 in the József Nádor University of Budapest. In 1950 I enrolled at the University of Cincinnati, Ohio, which granted me the Bachelor of Arts and the Master of Arts degrees in 1952 and 1955, respectively. Between October, 1955, and October, 1956, I held an Assistant's position in the Department of Economics at The Ohio State University. In October, 1957, I was appointed Instructor in the same department, which position I held for three years while completing most of the requirements for the Doctor of Philosophy degree. Since September, 1960, I have been an Assistant Professor in the College of Commerce at the University of Kentucky.