Chapter 10
The Centrally Planned Economy
and Railways in Hungary
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Almost 17 per cent of all Second World War damage in Hungary involved the transportation system. War damage amounted to 59 per cent of the country's estimated national wealth in 1944. But Hungary did not just lose World War Two. Having ended up in the Soviet sphere, it also lost control for various periods of time over its own communication network. Initially the Soviet army controlled Hungarian railroads for the purpose of war operations and to serve the needs of the Soviet Union. In 1945, 50 per cent of the capacity of the Hungarian State Railway, originally named Magyar Államvasutak (MÁV), measured in freight tons per kilometre, was taken up by services performed for the Soviet Union free of charge. In 1946, the figure was 25 per cent.

Between 1945 and 1948, a post-war reconstruction effort, accompanied by a political campaign, aimed at the rapid reconstruction of the pre-war railway system. This met with the full support of the Hungarian society. The reconstruction was officially completed in 1948, though this was only propaganda; in reality, it was completed in 1953. But from 1948 onward, those in charge of the national economy narrowed down the problem of transportation to that of freight traffic. The railway lost its political priority, in spite of the fact that the national defence and military projects of the period emphasised the development of transportation networks (operational area, staging area).


The origins of the command economy in Hungary go back to 1947. Similarly, even before the introduction of the one-party state in 1949, Hungary began to adopt the Soviet model of transportation. The most important features of the Soviet model of transportation were the following: total state control over transport vehicles, party oversight, the merging of control and implementation, central command, the economy of shortage and Stakhanovite labour competitions. This Soviet model shattered traditional organisational forms, ownership structure, and the regulatory system of the Hungarian transport system, and replaced them with new structures. The important features of the Soviet model were made widely known by the translation of Soviet technical literature and the mass dissemination of Communist propaganda brochures. Propaganda depicted all elements of Soviet transport as good and an example to be followed. All who disagreed were branded as enemies. Slavish copying of the Soviet model reached extremes in the period between 1950 and 1953.

Hungary’s Sovietisation resulted in a rapid growth in the performance of cargo shipping. One can analyse rail performance in terms of freight tons per kilometre. In 1937, the figure was 3,044 billion. Rail performance in 1951 was 206 per cent of what it had been in 1937, 312 per cent in 1957, 438 in 1960, 505 in 1963, 608 in 1967 and 700 per cent in 1970. The greatest increases in performance as compared to the previous year occurred in 1950 (119 per cent) and 1952 (119 per cent). However, the forced industrialisation of the 1950s led to an ever more serious and increasing lag in transport capacity. In the 1950s, the centrally planned system and extensive industrialisation changed the country’s pre-war production structure without an antecedent. One of the results of the structural changes was that the ratio of transportation expenses in the total cost of one unit of national product became far larger than before 1938.

In Communist Hungary, it was believed that in a Communist-led state, there was no conflict of interest, and therefore the branches of power need not be separated. The application of this logic to railways meant that control, supervision and implementation were merged into a single organisation in 1949. From then on, the managing director of MÁV served as Deputy Minister of Transportation at the same time. Between 1949 and 1956, Lajos Bebrits (1891–1963), a Muscovite

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3 Total state control applied even to individually owned vehicles. Between 1951 and 1957 the state kept record of bicycles. Between 1949 and 1956 it was a special privilege to own an automobile. The state had a priority of purchase for horses and carts.


5 Defence Authority took MÁV president László Varga from his home. He was condemned to death in a show trial and executed in 1950. The case had no publicity at all. It is typical for the retention of information that in the days of the 1956 revolution some of the railway workers demanded László Varga to head the Hungarian State Railways again, as an uncompromised and credible man. They did not know he had been killed.
functionary who had been incarcerated in Stalin’s prisons, was the Minister of Transportation. A passionate railway enthusiast, Bebrits dedicated most of his time to the railway. He was impulsive and rash, but he respected professional competence. MÁV’s first managing director was György Csanádi (1905–1974), who was later to become the most successful Minister of Transportation in the Kádár era. Up to 1956, a Soviet adviser operated in the Ministry of Transportation. The Soviet adviser was always treated with respect. His Hungarian colleagues listened to his recommendations politely and followed them, even when their implementation in Hungary was tantamount to a regression from a more advanced structure to a more rudimentary one. Only Bebrits dared say no to the Soviet advisers now and again. And the leaders of the railway company pretended to agree with the Soviet advisers but tacitly backed Bebrits.

In 1949, for the sake of party oversight, the Hungarian Workers Party (Magyar Dolgozók Pártja, MDP) established Railway-Political Departments, which were party units delegated to the railways. Functionaries working at the Railway-Political Departments were paid by the party. The Railway-Political Departments were in charge of agitation, repression and political cleansing (from intimidation to sacking). Members of the Railway-Political Departments were in close contact with the feared State Defence Authority. They knew next to nothing about railways and acted as commissars. Their behaviour was characterised by brutality and scandal. Even before the outbreak of the revolution, the party disbanded the Railway-Political Departments in 1956.

The Railway in the 1950s

Hungary’s leaders in the 1950s were not people who thought in terms of long-term problems of transport policy or geopolitical strategy. Instead, they had daily problems and daily solutions on their minds. The five-year plan for transport was compiled along the perspectives of branches and territories. The cargo shipment plan constituted the most important element of the transportation plan, which summed up the shipping indicators for industrial, agricultural, mining and other sectors.\(^6\) Shipping indicators were constantly adjusted to the ever-changing five-year plans. Hence, for example, in 1952, the transport-related indicators of the five-year plan were modified 113 times. Shipping plans were made for each individual type of commodity.

Established in 1948, the Central Transportation Council was in charge of working out and implementing shipment plans; its work was marked by bureaucratic coordination and the economy of shortage. The Council was in

\(^6\) MOL, Ministry of Transport and Post (KPM) XIX–A–16a. 167. 78/903/950. Részletes utasítás a közlekedési ágak dolgozói és az összes tervkötelezettek részére szállítási tervek készítésére, 1950 (Detailed instruction to the transportation workers about transportation planning, 1950).
charge of bringing the indicators appearing in the Hungarian five-year plans in line with the shipping capacity at the disposal of rail and road transport companies. This proved to be all but impossible, because the five-year plans were not in line with transportation capacities at all. In order to bridge the gap, in 1950 the Council established an optimal shipping distance for each and every commodity. Producers were charged extra for commodities that had to be shipped longer than the optimal shipping distance. In addition, the Council prepared operative plans every three months that established the quantity of goods each company was allowed to ship by rail or road in any given month. Almost incredibly, this system of transportation worked to some extent, although not the way the members of the Council had imagined. In order to keep the system in motion, they came up with many creative ideas (labour competitions, centralised allocation of commodities, limiting the delivery of certain kinds of commodities) in addition to loads of office work and even the intensification of repression. It was just its original objective that the new system was unable to meet, namely, to assure economical transportation. In fact, the elimination of direct contact between the producers resulted in the growth of the distance commodities had to be shipped.

By 1953, the divergence between reality and the indicators given in the transportation plans was so wide that the Council of Ministers decreed that producers were required to ship the quantity of goods laid down in the monthly plan. And what is to say about the consequences? The transportation system became overcrowded from companies delivering half-finished products to each other, back and forth.

Why was all this necessary? According to the Soviet model, there was no competition in transportation under socialism, because the state was able to organise transportation in the most efficient way possible. In socialist Hungary, the gap between the demand for transportation and the capacity concealed the existence of competition in transportation. In reality, competition continued to exist, only on the level of state administration. Companies – trying to shift assignments to each other, instead of being interested in obtaining new ones – did not compete with each other anymore; rather, it was the ministries that fought each other for the possession and control of transport capacities. In this system, victory did not depend on who offered the fastest and least expensive service, but on relations of power. There were informal rankings, and privileges appeared even in the world of transportation.

Labour competitions were a spectacular and frequent feature of socialist railways. The most important and best known competition was one called the 500 Kilometres Movement. It aimed at making sure that locomotives performed their daily service duty of 500 kilometres. This goal was never attained. The average daily performance of locomotives taking part in the movement was 160 kilometres in 1950 and only 108 kilometres in 1952. Locomotives that did not participate in the competition ran 104 kilometres daily. There were 13 different labour competitions underway in the field of rail transportation at the end of 1952.
Figure 10.1  Communist propaganda. A peasant, a soldier and a worker looking into the cargo traffic plans
Source: Hungarian Museum of Science, Technology and Transport.

Figure 10.2  Steam engines waiting for the train in Budapest, 1950s
Source: Hungarian Museum of Science, Technology and Transport.
Propaganda of the Stakhanovite movement proclaimed that the wisdom and cleverness of popular cadres could surpass the technical expertise of Hungarian engineers and the restrictions imposed by technological regulations. According to the propaganda, labour competition was a high-standards method of building the socialist railway. But labour competitions were at odds with the very essence of the railway. Railways are not built on competition but on cooperation: the rhythmic operation of a complex system is guaranteed by the coordinated cooperation of the participants. Railways have always required the temporal and spatial collaboration of tens of thousands of people. The competitions created a hitherto unknown phenomenon: a lack of cooperation between the service branches of traction and traffic. Some examples may illustrate that: a crew of traffic workers offered to start more freight trains than earlier thus increasing the utilisation of wagons, even at the price of starting empty ones. At the same time another crew of traction workers offered to carry heavier trains. Engine drivers offered to take fewer engines to the repair workshop by doing some repair tasks by themselves, while the servicemen offered to repair more engines. This contributed to the rail traffic crisis and was one reason why Hungarian railway traffic collapsed in 1952. This was unprecedented. Nothing like it had happened before in Hungarian history. First, in the fall of 1952, the traffic broke down between the Hungarian and the Soviet railways. Goods had to wait an average of 30–35 days on the Hungarian-Soviet border crossing (Záhony) in the wide-gauge Soviet wagons. The shortage of wagons was made even worse by the general shortage of coal. The railway’s coal reserve sank to 2.2 days. Initially, the organisers tried to alleviate the shortage of coal by decreasing the number of passenger trains. Later, Lajos Bebris suspended timetable based passenger traffic. This turned out to be the wrong measure: it only served to increase the chaos in rail traffic, because neither the passengers nor the railway workers knew what to do. More and more freight trains carried fewer and fewer goods. In the last four months of 1952, the huge number of freight trains (124,000!) overloaded the rail network. Insufficient transport capabilities, wrong traffic measures and work competitions all contributed to the growth of the huge traffic jams. There were days when 87 per cent of the freight trains were cooped up, loaded, in small areas of the railway network.

The general opinion of the experts was that by the end of 1952, traffic had reached the upper limit of the railway’s capacity. In early 1953 it was clear that the railway collapse that had taken place in 1952 would not remain an isolated event. The railway leadership did their best to warn the political leadership that a new crisis in transportation could be expected in the fall of 1953, and that investment was needed. However, developing railway infrastructure was not on the state’s economic agenda. The party had to find another way to avoid or alleviate the next traffic crisis. This turned out to be the intensification of repression.

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8 At the end of the nineteenth century, MAV had a coal reserve that would last about two months. Half of it was the so-called military coal supply.
In order to intimidate railway workers, the State Defence Authority carried out a coordinated action in March 1953 and carried off 239 railway men from their homes with the charge that prior to 1945 they had been involved in counterespionage in MÁV’s military cargo department. But the party, however, did not have the political strength anymore to carry out a massive show trial, as Stalin died in March 1953. Therefore the terror eased in the country. Repression in the workplace, politically motivated layoffs and transfers gradually diminished after peaking in 1953. The relaxation of political terror did not mean any change in the system-specific features of the Soviet model.

The Elimination of the Soviet Model

The elimination of the Soviet model was a piecemeal process that took place over the course of almost two decades.

In Kádár’s Hungary, in line with the doctrines of the Soviet model, the existence of competition between rail and road transport was denied. This went on until the beginning of the 1980s. The existence of freight competition between the two branches of transport seemed to be irreconcilable with the planned economy, and its presumed absence seemed to prove the superiority of the socialist state. The Central Transport Council continued to function even after 1956, and the railway suffered from periodic crises. Investment in the railway sector increased only when tensions in transportation increased to an extent that the leading organs of the Hungarian Socialist Workers Party were forced to deal with the issue. Significantly, after 1968, transport plans no longer had to be sent in, and from then on the Central Transport Council functioned without a scope of authority. They produced reports, and not much more.

Just like its predecessor, the Kádár system regarded railway tariffs (railway rates) as a political question. Despite the increased charges and inflation, tariffs for long-distance passenger transport hardly changed between 1952 and 1982. The situation was similar in the field of freight transport. Market prices applied for loading and other services only. All this meant that the shipping needs of different producers were not met by any limit and the real costs of shipping were

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11 Between 1950 and 1967, over 100 billion forints (at 1968 levels) of investment were missing from the transportation sector, which approached the value of two years of average investment in the 1960s. Between 1968 and 1980, the amount not invested in the development of transportation grew by another estimated 250 billion forints. Between 1960 and 1985 the share of transportation in fixed assets, i.e. the total wealth of the country, fell from 20.4 to 17.6 per cent.
not covered by the users. The producers had to pay only a fraction of the real transportation cost.

It was György Csanádi who pushed through the transportation modernisation programme. The 1960s and 1970s brought about the best period in Csanádi’s career. It was clear to Csanádi that Hungarian national interests were connected to the transportation network (strengthening links with international transport, elevating the standards of transit routes, etc.), and he used his ministerial powers to push toward these goals. In cabinet meetings he submitted interesting proposals that were, however, rejected. The proposals tested the limits of the existing political and economic system. He argued, for instance, that the traffic corridor between Budapest and Vienna should be developed, and that private ownership of trucks should be permitted. He had prestige as a ‘man of science’, but he had no influence in the highest echelons of the Hungarian Socialist Workers Party (HSWP). Csanádi, who viewed developments in a European context, surrounded himself with well-trained advisers. They were the ones who drafted the reform concept in transport politics in 1968.

The aim of this concept was to bring the country’s railway network (built in the nineteenth century) and the road network (that complemented the railway network) in line with the needs of twentieth-century motorisation. The rail and road network, which carried the country’s export, import and transit freight traffic, began to be prioritised once again. The new transportation concept broke with the investment policy inherited from the 1950s, and concentrated on cooperation between rail and road transport. The social reception of some of the provisions of the reform that parliament passed in 1968 was somewhat ambivalent (some people were unhappy that lines with small traffic had been closed), while other provisions received unequivocal support (railway electrification, modernisation of the railway trunk lines). The 1968 reform programme no longer relied on a central logistical organisation being in charge of planning transportation (let us remember the activity of the Central Transport Council in the 1950s) but on the transformation of the rail and road network instead. Under the programme, freight and passenger lines were closed when the traffic was too low, and trucks and buses went into service in their stead. Between 1968 and 1982, 634 kilometres of normal lines, 360 kilometres of narrow-gauge lines and 672 kilometres of private industrial railway lines dedicated to a certain factory were closed down in Hungary. By 1970 10 per cent, by 1980 20.6 per cent, by 1985 25.8 per cent and by 1990 28 per cent of MAV’s lines were electrified. All in all, in Hungary the proportion of electrified lines within the network grew more rapidly as compared to the 1960s than anywhere else in Europe except Finland. This relative speed of railway electrification lost some of its momentum after 1980.

Csanádi was able to push through the idea that Hungary’s transportation-strategic position was a valuable asset of such importance that it had to be put into

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the service of the national interest. It was Csanádi who explained to the leadership socialised in the 1950s what transit traffic was. In his opinion it meant a way to earn hard currency. In the 1950s, transit traffic brought no profit. In 1951 a unified railway tariff was introduced for all railway traffic among the socialist countries based on the assumption that all socialist states shared a common interest. In reality, though, this measure served the interests of the Soviet Union. Not only did Hungary lose money because of this measure, it was also deprived of an important tool of economic policy. It took decades for Hungary to be able to back out of a system that was contrary to its national interest. For two decades, the Council for Mutual Economic Assistance (COMECON, an economic organisation of socialist countries) struggled to resolve two financial issues related to transportation: tariffs and financial settlement. In 1951, when the Soviet bloc established its new railway regime, the Soviet Union had not figured in railway cargo traffic between the socialist and the Western countries; therefore, in the 1960s, Western transport companies also benefited from the low tariffs.

In 1964, because of conflicts of interest among the COMECON member states, tariffs were raised provisionally to a different extent for each country group, by 17.5 per cent (Bulgaria and Romania) and 35 per cent (Czechoslovakia, GDR, Poland and Soviet Union), respectively. Hungary did not take part in the raising of tariffs. The COMECON countries could only reach a provisional agreement in two railway-financial issues, because of their opposing interests. The first issue was the increase of tariffs. The second was the rules of financial liquidation between each other. Hungary did not raise the tariffs, being afraid – as it later turned out unfounded – that raising tariffs would weaken its position of negotiation in the second issue, which was more important for Hungary. By the mid seventies, COMECON’s provisional tariffs became untenable: Western European railways were charging three to four times as much.

The debate on railway tariffs that had taken place largely in the framework of COMECON for two decades reached its climax in 1980. In 1976, Poland rescinded the 1951 agreement governing railway tariffs among socialist countries and all the other amending agreements. In 1980, Czechoslovakia and Hungary did the same. In 1980, too, the Hungarian State Railway carried the most transit cargo in Europe with 19.7 million tons. Starting in 1981, Hungary raised its tariffs annually: by 92 per cent in 1981, 16 per cent in 1982, 4 per cent in 1983 and by 4 per cent again in 1984. Rise in transport prices re-established transport competition among the railway companies in Central Europe. In this field, MÁV competed with the Yugoslav, the Austrian and the Czechoslovak railways. In 1983 MÁV gave 50 foreign companies 150 individual discounts for them to use its lines for their transit traffic.

In contrast to the 1951 unified tariff system, the establishment of the Common Goods Wagon Park in Russia named Oabschchij Park Wagonow (OPW) turned out to be advantageous for Hungary. The OPW was based on a concept developed

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by György Csanádi. The Central Railway Wagon Pool held 100,000 wagons from seven COMECON countries in such a way that the wagons placed in the common reserve remained in the possession of the railway company that owned them. The benefit of the new accounting system was that a wagon did not have to be returned immediately to the owner’s line – even when empty – but, with certain restrictions, it could be used in COMECON traffic. MAV conducted a large quantity of transit traffic but suffered from a shortage of wagons; hence, it was interested in making use of the wagon pool as much as possible. As for the structure of MAV’s hard currency income and costs, income came from transit while the majority of the expenditures came from leasing from the common pool.

According to Hungarian propaganda, while capitalist transportation relationships exclusively protected the interests of their participants, socialist transportation relationships reflected the common interests of the fraternal countries. Hence the agreements concluded by the socialist countries represented the diverse interests of the community of allied countries on a higher, general plane. This of course was not exactly true. Hungary did not copy the Soviet Union in this case. So it was a sober decision for Hungary to remain a member in the Union internationale des chemins de fer (UIC) in 1945. In 1956, the transport ministers of eight European and four Far Eastern socialist countries founded the Organisation of Railway Cooperation which was named in Russian ОРГАНИЗАЦИЯ СОТРУДНИЧЕСТВА ЖЕЛЕЗНЫХ ДОРОГ (OSZhD). COMECON’s Permanent Committee for Transport was set up in 1958, but its work was fundamentally hampered by the fact that the recommendations and resolutions had to be passed unanimously. Until the middle of the 1960s Hungary neglected the sub-committees of the European Economic Commission in charge of transport. In 1971, the idea that Hungary could join the European Conference of Ministers of Transport (ECMT) was raised, but it was rapidly dismissed as not timely.

**Conclusion**

In Hungary the questions of international transport relations and the national interests related to them were hardly ever mentioned during the Kádár years. The public knew nothing of the conflict of interest in international transport among the members of the COMECON. After 1945, Hungary was integrated into the Soviet sphere of interest and subordinated its international transport relations to the Soviet Union’s interests. In 1950 the capitals of Hungary and Yugoslavia were connected by only two express trains. In 1950, 13 European destinations were directly linked to the Hungarian railway system. In 1960, the number had risen to 25, and in 1970, 49.

Throughout the Kádár years, Hungary participated in the evolving European transport system and followed the (Western) European trend only to a limited extent, because for a long time the country defined itself primarily as part of the socialist community and only secondarily as a European country. Hungary usually
did not take the initiative: when representing its transport interests within the COMECON, it was open to agreements, it searched for compromises and allies. Hungary strove to keep the socialist countries' conflicts of interest hidden from public eyes. In response to the intensification of links between Western countries (InterCity, EuroCity), the socialist countries also expanded their railway contacts, for example through Inter-express. Out of the 30 trains that operated in the Inter-express network only 3 involved Hungary. As time went by, socialist Hungary's foreign policy and foreign economic orientation had less and less influence on its foreign transport relations.

In the final years of the Kádár system, the state apparatus redefined Hungary's interests in transport and the state's role in it. The state broke with the remnants of the Soviet model in 1983. Then they eliminated the structure that had come about after MÁV's reorganisation in 1949. State and company authorities were separated once again. After the elimination of the last remnants of Sovietisation, there was no more room for development within the framework of the existing political system. Transport policy in the last years of the Kádár period was characterised by a tactic of minimising loss and fence-sitting. The public failed to notice an event of symbolic importance: in late May 1988, the first Vienna-bound EuroCity Express departed from Budapest. This meant that Hungary was the first socialist country to join the EC network that so spectacularly embodied the unity of European transport.

Some historians interpret the history of socialist Hungary as an experiment in modernisation. Perhaps this paper has made it clear that the post-1945 history of the Hungarian railway would be difficult to interpret within the framework of this approach. It is not that those who worked in this area did not do their best to modernise the country's transportation and were not devoted to their profession. It is that most of what was done was damage control in the sense that it tried to solve the problems that arose out of the planned economy, the mechanism of the economy. A great deal of inventiveness and lots of energy was required to find the limited number of solutions within the framework provided by the political system.

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