

Hungary in 1945: An Introduction

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1945 was a fateful year in the history of Hungary and in the lives of her people. It began with some of the bitterest, most destructive fighting ever to take place on Hungarian soil: a life-and-death struggle between what was left of Hitler's armies and the largest military machine of World War II, the Red Army. And the year ended with the beginning of the slow reconstruction of "liberated" Hungary in the shadow of the victorious and powerful Soviet Empire. From experiencing death and destruction in January, the country passed to a stage of its development where it could experiment with a small degree of democracy and political pluralism but only as a result of Soviet dictator Joseph Stalin's decision not to impose Soviet-style totalitarianism on Hungary for the time being.

Despite the existence of limited freedom and the fervent hope by Hungarians that more would come, the work of rebuilding war-torn Hungary progressed only slowly. Economic reconstruction, in particular, was impeded by the enormous damage that had been inflicted on the country during the war, especially in 1944 and 1945. The damage suffered by the capital Budapest is touched on by military historian Krisztián Ungváry in his study of the last days of the battle of Budapest. The overall damage is summed up in Professor Susan Glanz's paper:

...between 420-450 thousand Hungarians died [during the war] and between 850-900 thousand were taken prisoners of war. Before the war Hungary had been an agricultural and industrial nation. In 1938, the last peace year, 37% of the national income was generated by agriculture and 38% by industry. Due to the demands of war, in the period of 1943-44, the ratio changed to 43% of national income generated by industry and 28% by agriculture. But after the war the destruction of the industrial sector left the country paralyzed. The damage,... caused, amount[ed] to \$4.27 billion — which represented five times the national income of that year and 40% of the national wealth. The country's infrastructure was destroyed, and agricultural activity also almost came to a standstill as the armies moved through Hungary. Over 90% of all industrial plants suffered some damage and nearly all inventories disappeared. Coal mines ceased to function as nearly all were flooded because of the lack of electricity needed to pump water out. The

economic situation was made even worse by Hungary's foreign and domestic debt. By September 1945 the foreign debt had amounted to... \$578 million.... [and] domestic debt [had reached] 14.2 billion *pengős* [already on the eve of 1945].¹

Had Professor Glanz wished to give a detailed picture of Hungary's economic difficulties in 1945, she could have filled several pages of her paper. To begin with, Hungary's transportation infrastructure was destroyed during the war. From March 1944 on, when Hungary became occupied by the *Wehrmacht*, the country was no longer spared by Allied air forces. In the balance of that year and early during early 1945, Hungary's railways, bridges, roads, as well as rolling-stock and motor transport manufacturing establishments were the targets of repeated attacks by the British Royal Air Force, the American Air Force and by Soviet bombers. During the struggle for Hungary between the Axis forces and the Red Army, much additional damage was inflicted. As if this was not enough, further destruction was inflicted by retreating German and Hungarian forces. In their flight westward they blew up most of the country's river and railroad bridges. They ripped up railway tracks in many places and took most of the country's rolling stock to the Third *Reich*. Many merchant ships were sunk by the retreating forces, while the rest, including all barges and tugs, were taken upriver to Germany. The same fate befell most of the country's automobiles and motor transport vehicles.

In regards to the state of the Hungarian economy during 1945 it might be added to what has been said above that, during the last phase of the war, the German High Command ordered a policy of systematic industrial dismantling and removals with the aim of denying the Red Army the chance of drawing on Hungarian economic resources. The consequence of this policy has been aptly described by economic historian András Göllner:

about 500 important factories not severely damaged by Allied bombs were either wholly or partially dismantled, their equipment requisitioned or scattered around the countryside. Paralleling this action, a considerable quantity of immovable property was destroyed by Nazi demolition experts. The list of removals and destruction is very long indeed, consisting of vast amounts of industrial and agricultural goods. Even the country's entire gold and silver reserves were taken to Germany.²

It also has to be remembered that, in addition to the loss of infrastructure and equipment, Hungary lost people as well, beyond those who became victims of the conflict. In the first half of 1945 approximately half a million people fled Hungary. These refugees included members of the government, the bureaucracy, the military, and of the professions, as well as thousands of ordinary working people. From the point of view of economic reconstruction, most costly was the loss of a large numbers of technicians, engineers, plant managers and owners.

Hungarians, however, were leaving the country not only towards the West, but they were also leaving towards the East. As the Red Army moved through the country, it collected a wide variety of people for deportation to the Soviet Union. There were the POWs — Hungarian soldiers who surrendered to the Russians; there were also soldiers that had gone into hiding and were discovered, members of the police forces, of para-military organizations, and so on. Then there were ordinary civilians — in some cases ethnic Germans, but more often than not Magyars — who were swept up by the occupation authorities and were sent to collection points from where they were transported to Soviet labour camps. It has been estimated that from the end of November 1944, the Soviets have removed from Hungary well over half-a-million people and scattered them throughout the GULAG — the world of POW, labour and penal camps that dotted the map of the vast Soviet countryside. According to our source, about a third of all those removed were civilians.³

There were, however, further impediments to economic reconstruction, as has already been hinted at in the quotation from Professor Glanz's paper. In the armistice agreement Hungary's Provisional Government signed early in 1945, the country was compelled to pay a very stiff penalty for its involvement in the war. The terms of this agreement gave the U.S.S.R rights to war booty. Furthermore, all German or Italian-owned assets in the country had to be transferred to Soviet ownership. Moreover, Hungary was denied generous financial and material support from the UNRRA, while some other states in East Central Europe received much help from this agency.⁴ And, Hungary was confronted by other burdens. It is worthwhile quoting Professor Göllner again:

After 1945 the difficulties stemming from the economic havoc wreaked by the war were accentuated unexpectedly by another obstacle: Soviet economic exploitation. It came to equal, if in a different way, the intensity of those pre-1945 constraints which had for so long denied decent socio-economic standards for Hungary's people.

As the Red Army advanced westward through Hungary, all enterprises falling within its territory — some vacated only a few hours earlier by Nazi demolition experts — were assigned Soviet military commanders. These saw to it that factories still in working order began producing immediately for the war effort against the retreating Germans. Soviet military personnel also supervised production in the coal mines, and deliveries to the [Red] [A]rmy began forthwith.⁵

In fact, documentary evidence published in Hungary in the early 1970s describes the overall impact of Soviet military management on Hungary between the early winter of 1944 and the late summer of 1945. In the words of Professor Göllner this "management" resulted in:

1. The complete depletion of economic stocks...
2. Wholesale removal of all liquid assets from Hungarian banks and enterprise safes...
3. Widespread dismantling and removal of equipment from factories;
4. Breakneck production under difficult working conditions, heedless of the need for maintaining equipment;
5. Soviet requisitioning of industrial products without remuneration;
6. The difficulty of ensuring labour supply because of arbitrary street arrests by Soviet patrols and deportation of large numbers of skilled workers to the Soviet Union; and
7. The non-payment of workers' wages by Soviet military managers.⁶

By the time Soviet military management had ended in Hungary during the summer, the country's economy was in worse shape than it had been six months earlier. To quote Professor Göllner again: "...the affected firms were in utter chaos. Thousands of valuable machines and tools were lost, stocks were used up, and machines left badly damaged. Most of the firms were also hopelessly in deficit...." In agriculture the situation was similar. The Red Army had requisitioned "vast quantities of agricultural goods without payment, and drove away tens of thousands of cattle, horses, and other livestock." From the summer on, the requisitioning was the responsibility of the Hungarian government which tried to compensate the peasants. "Consequently, Göllner remarks, "instead of the peasants bearing the brunt of the occupation cost, the load was shifted onto the Hungarian treasury." All-in-all, Göllner concludes, "Soviet military management accelerated the collapse of Hungary's private sector,... impoverished millions of Hungarian workers and peasants, and confounded the country's new and inexperienced public administrators." Under such conditions it became necessary to introduce "the most thorough and encompassing central planning." "In 1945," Göllner goes on, "the Communist Party captured a commanding position in economic reconstruction — the Supreme Economic Council (SEC). This important instrument enabled it to sever the jugular vein of private capital..."⁷

The situation was exacerbated by the regime of reparation payments which was imposed on Hungary. In compliance with the Reparations Agreement of June 15, 1945, the country was obliged to pay heavy compensation to the Soviet Union, Czechoslovakia and Yugoslavia. The total sum of \$300,000,000 does not seem excessive at first glance; however, when we consider the price structure, the product mix, and the timing of the deliveries, we realize how onerous this regime was for Hungary's postwar economy. The agreement on retribution did not take into consideration the fact that in the summer of 1945 much of Hungary's manufacturing was in shambles. Furthermore, no credit was given for the deliveries Hungary had made to the Soviet Union prior to the signing of the agreement. As a result, "almost 90% of Hungary's heavy industrial production [became] tied down by reparations orders." According to figures

produced by the Hungarian General Creditbank — "[by] August 1946, 76,000 out of 95,000 employees in heavy industry were engaged in retribution work..."⁸ A further problem was the fact that the value of retribution goods delivered was calculated at the level of 1938 dollars which in effect meant that Hungary had to deliver three or four times as much goods as would have been the case if 1945 dollars were used to determine their value. Underpricing, however, "was not the only factor substantially raising the nominal costs of the reparations package." The reparation agreement also overvalued the Hungarian currency. The net result, in the words of Professor Nicholas Spulber, was that "to obtain credit for one dollar of reparations, Hungary had to deliver goods worth almost 4 dollars at the current exchange rate."⁹ Professor Göllner concluded that "the combined effects of these factors pushed up the reparations bill's real value to about 1.5 billion 1946 U.S. dollars."¹⁰ It is not surprising that in the immediate post-war era Hungary made little or no progress in economic reconstruction and her people experienced wide-spread privations and even, in some cases and in some regions, starvation.

The situation was similar in the realm of politics. Though — as Professor Glanz points out in the first lines of her paper — some people in the early 1990s still talked of the "freedom" that had existed in the country in 1945, this myth of post-war political liberty had arisen years later when there was no freedom in the country, and when what had existed before appeared in a much more favourable light than conditions at the time really warranted.

There was only limited political freedom in the immediate post-war Hungary, and whatever freedom there was, existed by the grace of the Soviet leadership which was not ready for the time being to try to impose complete control over Hungary. Nevertheless, it did want to create conditions which would facilitate the imposition of complete control later and did not hesitate to use any means in achieving this. Some of the better-known methods used were the domination of such bodies as the Allied Control Commission for Hungary, the country's Supreme Economic Council, as well as the Ministry of the Interior, and through it, the security police forces. At the same time, the media under Soviet control — as well as military transportation facilities — were placed at the disposal of the Communist Party of Hungary. On the political "agenda" of the Communists in 1945, it is worth quoting Professor Bennett Kovrig, the author of the most detailed and most authoritative history of the Communist Party of Hungary:

Stalin was intent on fostering compatible regimes in his newly acquired sphere of influence, but in the case of Hungary he proceeded more cautiously... Following his advice,... the [communist] party's... leaders developed an incremental strategy... Putting on a conciliatory mask, they called for national unity and set the pace for the implementation of the land reform... At the same time they sought to expand their power base by indiscriminate recruitment, by seizing a dominant

position in the Trade Union Council and the police, and by creating a political police to pursue their enemies....

[After their defeat in the elections] the disappointed communists intensified their struggle from above and from below. Control over the interior ministry helped them to purge their opponents from the state administration, to persecute their enemies at large, to disband non-communist youth organizations, and to harass workers into joining the party.... At the same time, while rejecting Western aid, they could not countenance criticism of Russian pillage, of the heavy burden of reparations, and of disadvantageous commercial deals with the Soviet Union....¹¹

Though not too many people suspected at the time, in 1945 the communist transformation of Hungary was not a question of "if" but of "when."

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In this special issue three research papers deal with themes that were central to evolution of Hungary in that fateful year of 1945: the war, economic reconstruction, and political as well as psychological rehabilitation. Dealing with the theme of the war, Krisztián Ungváry, in a case study of the collapse of Axis forces in Hungary, examines the antecedents and the events of the most disastrous of their defeats, the destruction of the German and Hungarian units that became trapped in Budapest (more precisely, Buda) when Soviet forces surrounded the Hungarian capital. In the following paper Professor Susan Glanz looks at issues of economic and political reconstruction, focusing on the first post-war elections that Hungary experienced after being "liberated" by the Red Army. The third paper deals with the theme of the Hungarian nation's moral and psychological rehabilitation. An important element of this process was the business of finding out what had gone wrong in Hungary during the 1939-1945 period and who were responsible for the country's tragedy. As Dr. Pál Pritz explains in his paper on the post-war trial of Premier László Bárdossy, in Hungary — as in some other countries as well — this process did not stop at answering the above questions but imperceptibly transmuted into a search for scapegoats and the inflicting of retribution on those who were in power before 1945. In an appendix-like documentary paper, the editor of this volume tries to throw a little more light on the mentality of Bárdossy in the summer of 1945, at the time that he began to face the prospect of being accused of war-crimes and being brought before a war-crimes tribunal. He also argues that the former Hungarian Prime Minister was not the war-hawk that his critics have made him out to be, and suggests that some of the accusations that have been made against him should be qualified or, in at least one case, be dismissed.

NOTES

This introduction is based in part on comments I made at a session titled "1945 Reassessed: The Case of Hungary," sponsored by the American Association for the Study of Hungarian History, at the annual meeting of the American Historical Association, in Chicago, Illinois, on 7 January 1995.

¹See the introductory paragraphs of Professor Glanz's paper. The subject is also discussed, especially with reference to the American view of these events, in László Borhi, "Soviet Expansionism or American Imperialism? American Response to the Sovietization of Hungary," in *20th Century Hungary and the Great Powers* (Boulder, Colorado: Social Science Monographs, distr. by Columbia University Press, 1995) Ignác Romsics, ed., pp. 233-35.

²András B. Göllner, "Foundations of Soviet Domination and Communist Political Power in Hungary: 1945-1950," *The Hungarian Revolution Twenty Years After*, N.F. Dreisziger, ed. (Ottawa, Ont.: *Canadian-American Review of Hungarian Studies*, 1976), p. 76.

³Tamás Stark, "Magyarok szovjet fogságban" [Hungarians in Soviet Captivity], *História*, vol. XVII, no. 2 (1995).

⁴Göllner, pp. 76f.

⁵*Ibid.*, p. 77.

⁶*Ibid.*, pp. 77f.

⁷*Ibid.*, p. 78. For a Hungarian-language overview of the impact of Soviet military occupation on Hungary see Péter Sipos, "A szovjetek és Magyarország, 1945" [The Soviets and Hungary, 1945], *História*, vol. XVII, no. 2 (1995), pp. 3-5.

⁸Although agricultural goods comprised only 15 percent of total reparations, these were extremely difficult to deliver. Hungarian agriculture had been shattered during the last phases of the war and its immediate aftermath. Little had been sown in the spring of 1944, most peasants lacked draught animals as well as implements, and there was a severe drought in 1945. These problems were exacerbated by the initial dislocations caused by the post-war land reform. "Compulsory agricultural deliveries for retribution compounded the damage and hindered the development of the newly-formed farming system. The result was widespread starvation." See Göllner, pp. 79-80.

⁹Spulber quoted *ibid.*, p. 80.

¹⁰Göllner, p. 80. Cf. Sipos, pp. 4f.

¹¹Bennett Kovrig, *Communism in Hungary: From Kun to Kádár* (Stanford, California: Hoover Institution Press, 1979), pp. 151f.