What Can We Learn from the Business History of Communist Enterprises?

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This comment challenges two main points of Phil Scranton's article: his periodization, and the adequacy of the utilized sources. His interpretation neglects the efforts of the de-Stalinization attempts in Eastern European socialist countries during the mid-1950s, though these measures established all subsequent reforms. He based his argumentation on contemporaneous articles from the 1950s and 1960s while an expanding fresh literature is available on socialist economies, thanks to the large-scale declassification of formerly top-secret documents. However, his article is an extremely important contribution to the business history of communism and a delightful point of departure for many kinds of future research in this field.

György Kövér, professor at the Eötvös University of Budapest, argues in a recent overview on Hungarian economic history that entrepreneurial and business history developed in promising ways after the 1989–1990 transformations.[1] He might be right, since new periodicals dealing with economic, urban, and social history have been established over the last two decades,[2] even though the contemporary

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1. Kövér, "Crossroads," 250–251.

2. See, for example, Korall, a social history journal, founded by the Korall Association for Social History, and published since 2000 (http://korall.org/en/home). See also the Hungarian Urban History Yearbook, founded by the Budapest City Archives, and published since 2006. (https://library.hungaricana.hu/en/collection/mltk_bfl_urbs_varostorteneti_evkonyv/).

Hungarian business history notably prefers pre-WWII issues.[3] Arguably, despite the myriads of newly accessible archival sources, history of the socialist economy is not a fashionable topic in Central and Eastern Europe. Therefore, all explorations to discover the everyday operation of the socialist economy, such as the shop floor of production and the management methods of a planned economy, is warmly welcomed.

In his article in this issue, Philip Scranton's point of departure is a general question: "What can business historians learn from Cold War communist firms and managers?" When he discusses communist Poland, Hungary, and Czechoslovakia in the years between 1945 and 1970, he aims to explore "how management worked and changed" in the command economy and later in the reform period. In my comment, I would challenge two main points of his overarching contribution: his periodization, and the adequacy of the utilized materials and sources.

Czechoslovakia, Hungary, and Poland supposedly came to the limelight as the reformist wing of the Soviet bloc, in which two different types of communist management models can be scrutinized. Periodization is not only the issue of dividing a study into sections but also designating cornerstones of different epochs. Scranton derives the turning points from political events—the end of World War II, the October Revolution in Hungary, and the Polish riots: namely, from the end of World War II to 1956, and from 1956 to 1970. This periodization neglects the efforts of the so-called "new course": de-Stalinization attempts of the Eastern European socialist countries after 1953, including the reforms of Hungarian Prime Minister Imre Nagy. Reform measures during the first post-Stalinist months had a crucial role in the awakening of Communist Party elite, and these first reforms initiated the demilitarization of the socialist economy too. In my view, it also means that the three sections should be rearranged as follows: 1945 to 1953, 1953 to 1961–62, and 1963 to 1968 (or to 1973). One can argue for finishing the presentation by 1968, though in this case the changes and outcomes of the Hungarian New Economic Mechanism (NEM) would be excluded from the story. If one intended to show the radical transformation of the enterprise management during the reform era, it is necessary to extend the story until 1973. There cannot be an optimal choice, because the internal dynamics of the three countries were different: the Polish reforms slowed down with the Gdańsk massacre, the NEM was halted in 1972–1973, while the Czechoslovak attempt was almost blocked after the August 1968 military intervention.

Documentation and sources are the most challenging problems of this groundbreaking research. The entire work is largely based on

3. See, for example, Klement, "How to Adapt to a Changing Market?"

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translated articles of the collection in the Joint Publications Research Service and the archived Radio Free Europe (RFE) reports, interviews, and analyses. (Both collections are digitalized and available online.) As it is well known, the cited articles from *Figyelő, Közgazdasági Szemle, Ekonomista, Hospodárske noviny*, and so on were published in a supervised or censored context, with the concrete aim to support the reform attempts with illuminating stories from the "real economy." I think that these contemporaneous articles from the 1950s and 1960s would be more adequate sources for a discourse analysis instead of describing the shop-floor operation. Materials of the RFE also have their own story:[4] the radio station in Munich was always well informed about the internal life of the Eastern European countries, but several times the original source of its news was likewise the official communist press. Therefore, these two databases indeed offer particularly interesting stories, but I might use these firm stories as an illustration instead of basing argumentation on them. The so-called archival revolution during the 1990s and 2000s unambiguously demonstrated that the planned economies had worked even more inefficiently than had been previously thought or understood. The large-scale declassification of formerly top-secret documents of the state parties and the communist bureaucracies provide a lifetime opportunity for researchers to dig into the deepest darkness of the socialist economy. In the following, I quote some recent publications (according to my scholarship, mostly concerning Hungary), which sheds new light on the history of reforms, enterprises, and communist business making.

Scranton's first section presents several interesting aspects concerning the launching of the planned economy. It is noteworthy that the first postwar plans in Eastern Europe were presented to the public audience under the slogans of "reconstruction" and "reorganization of the national economy." In fact, these plans provided for the transformation to a Soviet-type economy.[5] Mark Pittaway also presents a delightful summary of the transition period, as his studies are based on thorough fieldwork, especially in Hungary.[6] Pittaway's scholarship could contribute effectively to the exploration of the early (Stalinist) socialism, because he paid special attention to the workers' conflicts (including generational, gender, and rural–urban clashes). He analyzed the drawbacks of the planned-economy at a shop-floor level; moreover, he studied the first reform and revolt periods closely through the lens of a Hungarian mining-industrial region.[7] With regards

4. See Pittaway, "Education of Dissent."
5. Case, "Reconstruction in East-Central Europe."
6. Pittaway, "Building Socialism."
7. Pittaway, "Social Limits of State Control"; Pittaway, "Revolution and the Industrial Workers."

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to the "managerial triumvirate" (that is, general director, head engineer, and union chief) in the 1950s, I would remark that larger enterprises (more than five hundred employees) always had a full-time plant Party secretary, who was a stronger actor in firm leadership than the union chief. I would also remind readers here of the so-called cadre lists, which were the central lists of the nomenclature positions that were solely appointed by the central or political committee of the state Party.[8] Additionally, I would highlight some more conflicts that were not discussed in Scranton's article, as they might be interesting to investigate more deeply:

- The role of the Soviet advisers and the adapted "Soviet" technologies.[9]
- The effects of the Soviet Gosudarstvennyy Standart (GOST) standard system in production and technology culture.
- The problems of the unskilled workers in industries, who mainly migrated from the agricultural sector, and who had their first industrial job at that time due to the enforced industrialization.
- The mass employment of women in industries (and for a few years also in coal mining!).

Regarding the second section of Scranton's article, as noted above, a description of the first de-Stalinization years is missing, even though all subsequent reforms recycled ideas and plans, in Hungary and other socialist countries, too. On economic policy debates and expertise of economists, it would be essential to reassess the entire reform discourse, which has continued with variable intensity over the last three decades.[10] Additionally, if the 1956 Hungarian Revolution is on the table, one cannot avoid the issue of the workers' councils as short-lived but important attempts at self-managing communist enterprises.[11]

Scranton interprets the 1963 Hungarian enterprise reorganization as "to create giant, integrated, and efficient firms," on the grounds of Ivan T. Berend's scholarship."[12] Instead of this approach, I would

8. See Eyal and Townsley, "Social Composition of the Communist Nomenklatura."

9. These "Soviet" technologies several times were only modestly upgraded versions of the American technologies that were acquired by the Soviet Union at the turn of the 1920s and 1930s.

10. See Péteri, "New Course Economics"; more generally, Rainer, *Imre Nagy*. On Eastern European de-Stalinization, see Hegedűs–Wilke, *Satelliten nach Stalins Tod*; Mitrovits, "First Phase of De-Stalinization." On Czechoslovak reform efforts, see Heimann, "Scheming Apparatchik of the Prague Spring." On the following period, see Péteri, "Purge and Patronage."

11. A selected bibliography on workers' movements can be found at 1956 Institute Foundation Research Projects (http://www.rev.hu/en/node/84). Pittaway also dealt with this topic. See Pittaway, "Revolution and the Industrial Workers."

12. Berend, *Hungarian Economic Reforms*.

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argue for another, not-so-positive interpretation of this mass merger of enterprises in 1963–1964 according to the logics of "one branch–one company." The total number of the enterprises was nearly halved with this structural reorganization, which resulted in an unwholesome situation: the middle-scale sector essentially disappeared, and the large enterprises became key figures of the economy. During the 1960s, enterprises did not seriously oppose the planned reform, but in the early 1970s they had a not negligible role in blocking the NEM. In 1972 the top fifty privileged enterprises (for example, Ikarus, RÁBA, Taurus, VIDEOTON, etc.) withdrew from the reforms. Their antireform attitude came to the forefront of researchers' interest in the first half of the 1980s, when a so-called large enterprise debate emerged in Hungarian economic circles.[13] These large enterprises behaved in capital–countryside relations similarly to the contemporaneous transnational firms in the developing world: they concentrated their investment sources into their central factory (in Budapest), and they moved their outdated technologies and equipment to their countryside branch factories, where they concentrated the unskilled and sometimes unhealthy production activities.[14]

The inadequacy of the cited sources becomes more noticeable when the model farm of Bábolna appears in Scranton's article as the main subcontractor in "de-ratization" of Budapest. Although it is noteworthy that the Bábolna State Farm "broke from agriculture into the service sector" (see Scranton's article) with its pest control division, I would have been focused more on Bábolna's uncommon business model and management methods.[15] This becomes more important because the agricultural sector, and especially the cooperatives, challenged most radically the official business patterns. Cooperatives mastered entrepreneurial skills and techniques and operated in a more independent fashion that state-owned enterprises; however, their profit-oriented behavior sharply tested the limits of the official legal frames. The Communist Party's disapproval resulted not only in harsh criticism but also in show trials against leading managers of various cooperatives.[16] Another adjustment model was performed by the large industrial enterprises when they tried to gain advantages in

13. A few important articles from this debate include: Szalai, "New Stage of the Reform Process"; Hegedüs, "Large Enterprise and Socialism"; Milánovics, "(Large) Enterprises and Socialism"; Szalai, "Structural Reasons for Anti-Reform Attitudes"; Hegedüs, "Questions Waiting for Answers." On the postreform managerial conflicts, see Szalai, "Integration of Special Interests in the Hungarian Economy."

14. Regional studies also point out the negative effects of this attitude. See, for example Barta, "Spatial Impacts of Organisation."

15. On Bábolna, see Varga, "Between East and West."

16. Varga, "Economic Show Trials in Hungary in the 1970s"; Varga, "Opportunities and Limitations for Enterprise in the Socialist Economy."

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economies of scale by acquiring up-to-date technologies and adapting modern management styles. For example, participants in a central development project, the Public Road Vehicle Program for 1965–1975, played a vital and avant-garde role in changing company management and attaining more efficient production. This story can be scrutinized from the viewpoint of two socialist giants: the Ikarus Bodywork and Vehicle Factory and the Rába Hungarian Wagon and Machine-building Factory.[17] In sum, if I had to summarize the changes during the reform period in one sentence, I would paraphrase Peter Almquist's statement from his book, *Red Forge*:[18] communist plant managers, after the reforms, seemed to be first a plant manager and second a communist.

Let me conclude: Philip Scranton has written an outstanding work in presenting this collection of examples from the three countries. His article is an extremely important contribution to the business history of communism and a delightful point of departure for many kinds of future research in this field.

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17. See Bódy, "Enthralled by Size"; Germuska and Honvári, "History of Public Vehicle Production."

18. Almquist's original statement was the following: "The defense plant manager appears in many ways to be first a plant manager, and only second a defense plant manager." Almquist, *Red Forge*, 128.

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