

## CHAPTER 1

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# 1968 AND THE WORKING CLASS

## ‘What do we get out of Socialism?’ The Reform of Enterprise Management in East Germany and Hungary

In August 1968 the party committee of the district of Gera<sup>1</sup> received the following report on the political mood of the population:

The agitators’ discussions brought to light several theoretical problems that revealed that people could not yet fully comprehend a number of fundamentals. This is supported by the following: First, expressions of doubt about the increasing strength of the socialist world system and the change of power relations in favour of socialism at the global level; Second, inadequate knowledge of the complexity and intensification of the class struggle between socialism and imperialism; Third, comparisons between the principle of socialist internationalism and the concept of bourgeois sovereignty.<sup>2</sup>

The analysis of the ‘efficiency of our ideological work and people’s understanding of the basic questions of our development’ was even more critical of the political climate of the working-class communities in the district:

In this respect the workers said that in the GDR other strata such as the artisans, the self-employed, the private traders and part of the intelligentsia are privileged and they have a higher standard of living than the workers. Many workers put the straightforward question: *‘what do we get out of socialism?’ The workers have to be on overtime in order to decrease the losses that resulted from the wrong decisions of leading cadres. We frequently hear the argument (mainly from women): the decisive question is how we live today.*<sup>3</sup> People criticize poor provision with consumer goods, for instance, with children’s clothes, women’s clothes and women’s underwear; poor supply of several food products; the prices of industrial products are too high; we export too much, for instance, we export of carpets while there are not any in our shops. Discontent is wide-

spread among the workers because there was a lot of overtime work (extra shifts, weekend work, etc.) in the second half of last year and this year, too. 'This won't solve the great tasks; it is always at the expense of the workers. How does the weekend work help us when we don't do anything during the week, or on Monday because there is no more material? We should stop talking about the five-day week and make a new law instead that one should work sixty hours in a week, and then the workers will do that.' 'We work overtime in order to fulfil the plans and the state leaders will spoil things again with their bad management. When the managers want us to do overtime, they come to the shop floor and talk with us; otherwise we hardly get any information from them. We get the allocated task from above, no one asks for our opinions.' 'If one wants to give a professional contribution, one needs to be familiar with the materials. We don't have time for that. We discuss the tasks of our brigades or departments but apart from this, we hardly discuss anything else.'<sup>4</sup>

The above text is a lot clumsier in the original wording; however, in comparison to the dry and standardized language of the East German party documents, it is refreshingly informative. In the party documents of the Honecker era we only occasionally encounter any criticism; the overwhelming majority of the surviving documents in the district are nothing else but reports of the (over) fulfilment of the plan, completed with the appraisal of the heroic struggle of the working class to accomplish the task and the positive evaluation of the international power relations – in favour of the Soviet Union, of course. It seems that the local party functionaries dared not take the responsibility for any deviance from the obligatory 'Marxist' praises, which were formulated in a difficult and often incomprehensible bureaucratic language in order to appeal to a broader public or evoke the attention of simple people.

The cited report from Gera, which was written in a very laborious style even in comparison to the original German language that has a preference for complicated sentences and eloquent compounds, represents a refreshingly honest report of the political mood of the population that the party carefully monitored. In spite of all efforts, the information reports written under Honecker are so identical in their content and wording, with reports of contented and loyal socialist citizens, that we can skip years and we still have the impression that we are reading the same documents. The unusually informative and surprisingly critical report bears the date of 2 August 1968. The year of 1968 was the heyday of the East German reform, which bore the somewhat euphemistic name of the New Economic System of Planning and Managing the People's Economy (*das Neue ökonomische System der Planung und Leitung*, NES), later renamed the Economic System of Socialism (*das Ökonomische System des Sozialismus*, ESS). I discuss this reform first, not only because the GDR was the

first country in the communist bloc that announced an economic reform in the 1960s but also because Hungarian reformers adopted many of its elements although the latter had a more radical concept of private property relations.<sup>5</sup>

In the era of thaw initiated by Khrushchev, reform discussion started in the Soviet Union, which sought to increase the consumption levels of the population after the 'lean years' of Stalinism. In 1962, Liberman published an article in *Pravda* under the title 'Plan, profit, premium' in which he outlined a reform of enterprise management and the bonus system. He summarized his ideas in two slogans condemning the 'petty tutelage of centralized administration over the state-owned enterprises' and pointing out that 'what is useful for the society must be useful for every socialist factory and its employees'. By the first he meant that the financial autonomy of the individual enterprises should be increased; by the second he proposed to reward quality work rather than ever larger quantities as had been the practice under Stalinism.<sup>6</sup>

The Soviet reform discussion inspired economists across Eastern Europe to contemplate the reform of planned economy. Ulbricht did not only aspire to pioneer the reform process but he sought for a special German path in order to stress that Germans don't merely slavishly imitate the Soviet model but they are able to adapt it creatively to the local technical and social environment.<sup>7</sup> The reform, which Ulbricht announced at the Sixth Party Congress in December 1963, was also an attempt to improve the economic efficiency of the country, which even according to the officially published statistics displayed a negative trend: the national income increased by 11 per cent in 1958, 4.5 per cent in 1960 and 2.1 per cent in 1962; investments increased by 12 per cent in 1958 but only 2 per cent in 1962.<sup>8</sup> The reform sought to reorganize the enterprise structure, to increase the autonomy and financial responsibility of the enterprises, and to introduce more economic incentives and a more realistic price policy, mainly in order to improve the export performance of the country.

While Ulbricht used phrases resonant with Liberman's slogans, he maintained that the NES was a socialist system adapted to the specific needs and conditions of the GDR. The reform of the enterprise structure meant the creation of large state enterprises, the so-called 'socialist trusts', which were responsible for the production, improvement and research work within their profile.<sup>9</sup> The reform, like in Hungary, increased the legal, economic and financial autonomy of the enterprises; the NES delegated many of the chores of the material supply mechanism to subordinate bodies in the hierarchy. A basic tool of the material supply mechanism was the material balance, which checked whether a given production-cum-final-uses plan was consistent. The administration

of these balances was, to a large extent, delegated to the enterprises. In 1963, nearly a quarter of all balances were balanced by the State Planning Commission (SPC) and the ministries.

In December 1965, encouraged by the positive experiences of the NES (observers even spoke of the ‘red miracle’), Ulbricht announced the second phase of the reform, which continued decentralization. By 1966 the enterprises were responsible for nearly 90 per cent of the balances, and the delegation went further in 1967. Another part of devolution was to provide the enterprises with a much wider freedom of action within the assigned production targets. This was closely related to the functioning of the supply mechanism: for any material balance for which the top had no specific desire, neither limits for inputs nor detailed output targets had to appear in the plan. The 1967 plan included only products of strategic importance. In 1968, the heyday of the NES, enterprises received fewer directions on the composition of sales than before.<sup>10</sup>

Devolution was linked with the attempt to change the managerial approach and increase competition in the planned economy. Managers received funds from the centre that they could use relatively freely (e.g. for investment, research, innovation), and the enterprises could retain a significant part of the profit. The quantitative approach (the so-called ton-ideology) was replaced with qualitative criteria such as profit, cost, price, labour productivity, and the optimal use of materials. The managers received a free hand to decide about bonuses, and they were encouraged to make use of the economic incentives (which were euphemistically called *ökonomische Hebel*): in 1969–70 the centre regulated only the wage funds, and not the average wages of the workers. The industrial price reform, which attempted to adjust the prices to the social costs of labour, was completed in 1967. Reformers sought to ensure that profitability would determine the economic results of state-owned enterprises.

According to one of the most original analysts of the reform, Michael Keren, the year of 1968 meant not only the heyday of the NES but also the beginning of the end. Keren explains this apparent contradiction with the argument that devolution in a centralized system can work, if at all, only with reasonable reserves – that is with plans that are not too ambitious or taut. According to his analysis, this was precisely the case in the first period of the NES when the GDR economy achieved an annual growth rate of 5 per cent, which was a spectacular result in comparison with the provisos ‘lean years’.<sup>11</sup> In 1968 priority planning was introduced, which indeed centralized the planning of certain sectors of the economy, considered to be crucial for export-driven growth. The taut and unbalanced plans of 1969 and 1970, which concentrated state resources on large investments and priority products, upset the fragile balance between central planning

and devolution, on which the new economic system rested. Specific misfortunes hastened the fall of the reform: in the harsh winter of 1969 the shortage of electricity caused many breakdowns in production and arrears in contract fulfilment. Since structure-determining projects received high priority, even the low plan targets of consumer goods were not fulfilled.

Keren's main argument is that the economic upheaval in the last two years of the reform brought about the political fall of Ulbricht, who insisted on the maximal programme of the NES that he considered his life's work. As late as January 1971, in his last major economic address, Ulbricht still called for the concentration of the resources on priority products. Fearing a general social upheaval, the party leadership, however, refused to follow his economic programme. Tautness was given up when some 1970 plan targets were cut in September; at the same time it was decided to slacken the 1971–75 plan. A lower investment target was set, and priority was given to investments in electrical power and other intermediate sectors that had suffered neglect over the previous years. Ulbricht resigned two days before the publication of the plan.

Keren devoted less attention to social discontent, which, however, could have been a stronger motive for the party leadership than the economic upheaval. The Soviet intervention in Czechoslovakia undoubtedly weakened the position of the reformers, who had to do everything to distance the new economic system from the Czech reforms.<sup>12</sup> Another problem was that even though the reform started with a wage stop, the regime eventually agreed to increase the workers' wages in order to win them over to the NES.<sup>13</sup> Overtime work also increased the income of the working class, while there were not enough consumer goods in the shops. In this situation, Keren argues, the party could have generated inflation, but after the bloody riots that followed the increase of the prices announced in Poland on 12 December 1970, the GDR leadership did not dare to risk a similar course. They rather chose to abandon the maximal programme of the NES and the party secretary, who insisted on the maximal programme.

Decided upon in 1966 and implemented in 1968, Hungary's new economic mechanism (*új gazdasági mechanizmus*) emerged out of an extensive discussion among economists and a growing concern within the party leadership over poor export performance and the inefficient operation of state-owned industry during the mid-1960s.<sup>14</sup> Kádár was, however, more careful not to commit himself so openly to the reform as Honecker, and he preserved a 'centrist' position between the dogmatic or orthodox communists, who opposed the new economic mechanism and the reformers. Furthermore, the Hungarian reform was more ambitious and radical in its scope than the East German: while the GDR was the first

to implement an economic reform inspired by Liberman's suggestions, the Hungarian economic reform, albeit adopted later, was targeted not only at decentralization but it granted more concessions to the market than did the new economic system of the GDR. The Hungarian economist János Kornai gave a theoretical criticism of over-centralization prior to Liberman.<sup>15</sup> In 1965 reform-minded economists outlined the *Criticism of our present economic management*, which argued, that the system of the allocation of the tasks to the ministries and enterprises was dysfunctional because the central planning apparatus could not have a clear picture of the production capacities and reserves of every enterprise, and the enterprises were not interested in increasing efficiency and the better satisfaction of consumers' demands.<sup>16</sup> Besides giving a sharp critique of the existing system of management, the document also pointed out the political dangers of the over-centralized economy:

*The system of plan allocation has a negative impact on the consciousness of the people: on the one hand, they forget how to act autonomously, how to initiate things and to account for them and on the other hand, it confirms the politically harmful view that the higher leading bodies are responsible for every mistake and hardship. Since we regulate everything centrally, it facilitates the wrong 'reflection' of reality that the increase of the standard of living is decided by the will of the central authorities.*<sup>17</sup>

The document was also critical of the system of central pricing, observing that the prices largely and economically unreasonably differed from the social costs of labour.<sup>18</sup>

The reform increased the autonomy of the enterprises and the managers' authority to make tactical decisions. To stimulate the enterprises, the state allowed them to retain part of the profits, and the managers could decide the distribution of the bonuses. The state's proprietary rights were not, however, challenged; amongst others, the state retained the important right of appointing the management. Indirect control was established through prices and taxation of the enterprises, which eventually had a levelling effect. It was envisaged that there would be a limited competition among the enterprises that would improve the economic performance without restoring capitalist relations:

An important feature of the new economic mechanism is that it enables the economic competition of the socialist enterprises and it urges them to compete in the market. This competition is, of course, limited. It is limited by the level of the development of the productive forces (concentration and specialization of production and distribution) and the socialist nature of our planned economy. This limited competition has, nevertheless, a special significance for

the development of enterprise initiative, the increase of efficiency, technical improvement and the satisfaction of buyers' needs.<sup>19</sup>

Even though the increase of enterprise autonomy was an important element of the reform, it was also linked with the reorganization of economic management. The structural transformation of the industry had been on the agenda since 1958 but the 'experimental' enterprise concentration was followed by a retreat, and it was only in 1962–64 that a new industrial structure emerged characterized by giant enterprises and an almost absolute lack of small companies. The grand-scale concentration of the means of production was expected to reduce bureaucracy and increase the authority and responsibility of the management. The enterprise was responsible for the determination of the social needs for the products within its profile (responsibility of planning) and the satisfaction of the demands (responsibility of supply), and it had to finance the technological improvement and the change of products.<sup>20</sup>

Although the reorganization of economic management increased the role of market incentives, Schweitzer had already indicated that the requirement to make profits often contradicted the responsibility of supply. The managers would typically argue that any product could be made profitable with more investment, and that if they stopped their production it would lead to shortage in the domestic economy.<sup>21</sup> String-pulling and political contacts were also frequently used to secure state subventions. The central allocation of the resources was thus subject to fierce criticism; profitable enterprises complained that the subventions were distributed at their expense.<sup>22</sup> Giant enterprises could at the same time represent significant bargaining power, and they could effectively prevent reform initiatives or the cuts of subventions. Szalai later showed that this was precisely the case and the state-owned large industry resisted any attempts at reorganization or the renegotiation of state subsidies.<sup>23</sup> It can be therefore argued that within the enterprise structure market incentives could only have a limited effect.

Within the framework of the new economic mechanism more radical reforms had been planned but the growing division of the party over reform and the Soviet intervention in Czechoslovakia resulted in a retreat. This, however, did not reverse the process, which indicated the real significance of the reform: the legal extension of the second or private economy (*második gazdaság*). Although the 1968 economic reform did not entail a concept of ownership, it made the development of industrial units within agricultural cooperatives possible, which did not carry out agricultural production, but industrial and service activities. The private economy within the framework of agriculture started to expand towards

the industrial and service sectors, which influenced the competitive position of the state industrial and service companies in the domestic market significantly more than the very limited competition created by the private retailers and craftsmen. Although in the 1970s attacks against the agricultural subsidiary industries were renewed again and again, these became the ever-expanding bases of the development of the private sector.<sup>24</sup>

The 1960s indicated a reform era not only in economy but these turbulent years also opened up a debate within the party about the necessity and scale of reform. With the sharpening of political debates both the dogmatic or orthodox communists and the reformers felt compelled to turn to the ‘masses’ for support. Public opinion meant first and foremost the opinion of the large industrial working class, which the party held to be its main social basis. The following chapters describe how workers in the two countries responded to the economic reform: what kind of grievances they voiced in this respect, what other criticisms came up in the documents which related to the everyday life of the working class, and in what ways they required – or expected – the party to intervene in the reform process. I stress that in this period workers still believed in the possibility of a social dialogue and they accepted the party as the legitimate representative of their interests. This was the last, historically formative period in the relationship between the working class and the party when such trust can be documented. The Hungarian documents of the 1980s reflect disillusionment, distrust and the workers’ increasing alienation from the party state. In 1989 the Communist parties could no longer mobilize the class that they represented in any East European countries. The reform era therefore has a distinguished role in the history of welfare dictatorships. Last but not least, the industrial reorganization of the 1960s indicated a landmark in the history of both factories. Given the nature of the sources, not every part could have been matched properly, of course, so, for instance, there is more data on the political mood of workers in Hungary, while labour policy for women or the housing policy of the factory is much better documented in East Germany. The difference in the political climate of the two countries is, however, reflected in the party materials: the Hungarian sources give a more critical and reliable picture of the relationship between the working class and the party than the East German reports written in a clumsy bureaucratic language with the compulsive and over-zealous intention to conform to official socialism. It is the main reason why the Hungarian case study is presented first.



## Rába MVG and the Reform Process

The Hungarian Wagon and Machine Factory<sup>25</sup> which later became known as Rába MVG was founded in Győr, a commercial and administrative centre of western Hungary in 1896. Győr was a historically important town in the region: it was the seat of a diocese and also a county town. The Wagon Factory was established as part of the economic modernization of the Austro-Hungarian monarchy, which occurred during the last third of the nineteenth century. The production of carriages became a prosperous enterprise: the factory exported its products to Serbia, Bulgaria, Romania, Italy and Egypt, and it transported rolling stock to the London Underground and the Antwerp Tramways.<sup>26</sup> In 2001 the management located Rába products dating back to 1905 in South Africa.<sup>27</sup>

In 1939 the factory, which also started to produce buses, trucks and tractors in the interwar period, was officially declared an armaments factory, which entailed the development of plants important for war production. The new motor car factory was completed in 1943, and produced Botond cars,<sup>28</sup> Turán tanks and Rába Maros military trucks.<sup>29</sup> The personnel of the factory experienced a massive growth: in 1941 nearly five thousand blue-collar workers worked in Rába but by 1943 their number had doubled.<sup>30</sup>

In 1945 war losses to factory capacity were assessed at 70 per cent as against an average 36–40 per cent of the Hungarian machine industry as a whole. Summer production in 1945 amounted to about 10 per cent of that recorded earlier.<sup>31</sup> The rebuilding of the factory was all the more pressing since its products were indispensable for the rebuilding of the almost totally ruined railway network.<sup>32</sup> Simultaneously with the rebuilding of the factory ownership changed. In 1946 the government nationalized the largest enterprises in mining and heavy engineering, amongst them the Győr Wagon Works. After the first three-year plan reconstruction was successfully finished and the industrial production of 1949 had risen above that of the last pre-war year by 40 per cent, with 7,500 people now working in the factory.<sup>33</sup>

The first five-year plan (1950–1954) was a period of major change in the life of the factory. As a result of restructuring, the car plant and the machine-tool works were detached from the Wagon Factory in 1951. The equipment and production of the plants detached amounted to 50 per cent of the capacity of the enterprise.<sup>34</sup> At the same time the factory was granted significant sums to increase production. The production value of the factory surpassed that of the Ganz Wagon Works thus becoming the second largest machine manufacturing plant in the country. Exports rose, too: railway carriages, steam cranes, lift trucks, bridges and other

steel structures were exported, mainly to the Soviet Union. The number of blue-collar workers rose from 4,861 to 6,239 during the plan period (without the detached plants) and the number of the factory personnel rose from 7,313 to 9,141.<sup>35</sup>

In 1963 a new chapter started in the history of the Wagon Factory. The Central Committee examined the situation of the machine industry in the country and concluded that the sector was outdated and labour productivity was low. In 1962 the Wagon Factory failed to fulfil the plan and it produced the greatest shortfall in the export plan.<sup>36</sup> A process of concentration started in the machine industry: in 1963 Ede Horváth was appointed the chief manager of the Wagon Factory.<sup>37</sup> With this the Industrial Tool Factory was officially reunited with the Wagon Factory. After a separation of thirteen years, the organizational unity of Rába was restored again by the beginning of the third five-year plan (1966–1970).

The enterprise started the third five-year plan under its traditional name (i.e. it was again called Hungarian Railway Carriage and Machine Works – MVG – from 1965)<sup>38</sup> and used the trademark ‘Rába’. Horváth started a very ambitious project, which soon triggered a sharp conflict with the management of the Wagon Factory. He sought to modernize production by changing profile, by which he meant the decrease of the share of total production made up by rolling stock and the increase of engines and rear axles. The planned development was realized with the purchase of a licence to manufacture engines from the West German MAN firm. In the county the local power relations largely influenced the interpretation of the economic reform. The plan of Horváth, the manager of Rába, to change the production profile and buy a licence from a West German factory triggered a conflict between himself and the party functionaries. Ferenc Lombos, who was the first secretary of the county party committee between 1956 and 1966, was not indifferent to the Wagon Factory because he started working there. Lombos took the side of Horváth’s opponents, who went as far as to attempt to relieve him of his post. According to Horváth’s recollection, Jenő Fock, who later became the Prime Minister (1967–75), represented the Central Leadership at the special meeting of the executive committee in 1963, where Horváth was attacked.<sup>39</sup> Fock defended Horváth but only a temporary agreement was achieved. In 1965 the discord renewed when Lombos made attempts to intervene in the management of the enterprise which Horváth considered to be his exclusive authority. The situation became so tense that it was reported to the Central Leadership (*Központi Vezetőség*). After the party leadership investigated the case, both Lombos and Horváth received a strong reprimand. The ultimate winner was, however, Horváth, because in 1966 Lombos was replaced with László Pataki, who was in office until

1974. Lombos was left out of the Central Committee and Horváth also lost his membership (he was a deputy member and deputy membership was abolished). In 1970, however, Horváth was elected back into the Central Committee, where he kept his membership until the collapse of the regime.<sup>40</sup>

Horváth triumphed over the local party leaders and secured his position both nationally and in the county. According to all documents and memoirs he was a real workaholic, and the development of Rába was his only true and greatest passion. He accomplished the change of profile. Production of rolling stock gradually fell. In 1965 the total value of its finished products amounted to 3 billion HUF, with exports mounting up to 40 per cent. In that year Rába employed more than sixteen thousand people. The total volume of investment in that year amounted to 700 million HUF.<sup>41</sup> The new Rába plant producing engines was inaugurated on 17 June 1969 and it had the capacity to produce thirteen thousand engines and auxiliary parts. The biggest market for the engines was the Hungarian bus industry, producing over twelve thousand large buses a year at the Ikarus Factory in Budapest.<sup>42</sup> New plants joined the parent company – Sárvár and Ajka in 1967, the Foundry of Győr in 1968, the Red Star and the Mosonmagyaróvár Tractor Factories.<sup>43</sup> In 1975 Rába employed nearly twenty thousand people in its Győr plants (about fifteen thousand blue-collar workers).<sup>44</sup> Although its main export partner was the Soviet Union, the company also exported axles to the United States.<sup>45</sup>

In the national and local press the ‘Rába miracle’ received substantial media coverage. Rába was widely advertised as a socialist model factory, which worked well and made substantial profits.<sup>46</sup> The exports to the United States were understood as the Western recognition of the good quality of Rába products. In 1986 when economic reform was again on the political agenda, Ede Horváth was elected the man of the year in acknowledgement of his managerial success. The company enjoyed high prestige in Győr, where it was the largest employer. The enterprise built a huge stadium, sponsored the local football team called Rába ETO and launched many training and scholarship programmes. It also had a technical library, a cultural centre, a brass band, a chore, a dance group and a sports’ club.<sup>47</sup>

The dissolution of the MSZMP<sup>48</sup> in October 1989 deprived Ede Horváth of political support. Members of the old political elite, who were held responsible for the economic troubles of the country, came under greater pressure. As a member of the Central Committee, Ede Horváth was an obvious target of attack. His conflict with the secretary of the trade union, Zoltán Kóh, exacerbated the situation and led to an abusive press campaign against him in the newly established independent newspapers.



Figure 1.1 Logo of Rába

The Mosonmagyaróvár plant demanded to be detached from Rába and the trade union organized a strike. Even though the enterprise council confirmed Horváth in his managerial post until 1992, the Győr court repealed this resolution. The enterprise council asked Horváth to retire, to which he agreed on 18 December 1989.

*Downgrading the Working Class?  
A Critique of the Economic Reform*

In January 1977 the primary party organization of the Motor Factory of Rába MVG in Győr held a party meeting, where a mechanic made the following comment:

Concerning the information reports, I can freely announce that on my side the political mood is not good. The previous speakers have mentioned the problem of revising the norms that affect blue-collar workers. We feel uneasy both about the revision of norms and the increase of prices. They nevertheless say that our mood is generally good. This cannot be said at all. The statistics show that everything is very good here. The increase of prices does not show me that the political mood is good. I don't experience a rising standard of living. When I pick up a newspaper, everything I read in it makes me angry. With respect to the utilization of working hours, even the psychologists of the capitalist countries have demonstrated that the human body needs a break during its eight working hours. So we cannot spend 480 minutes working. I think that they do not represent the workers' interests here. They always demand more work for less money. After the present revision of the norms I cannot earn my money even if I violate the technological regulations. I cannot understand where and in relation to what we can experience a rising standard of living. In spite of the increase of prices, they are decreasing our wages.<sup>49</sup>

The criticism received some consideration in the closing speech of the party secretary:

The reasons why comrades are a bit passive have been explained in the discussion. I would like to point out that it is not right that the blue-collar workers have such a bad opinion of their white-collar counterparts and that this disagreement has been so often heard recently. Comrades should realize that we have equal need here of each and every employee. It is true that the money is not enough but it is the responsibility of the management that the wage is 8,000 Ft<sup>50</sup> for one job while it is only 2,000 Ft for another. The management should also provide better working conditions.<sup>51</sup>

In Rába MVG few records of grass-roots party meetings have survived, so it is difficult to tell how widespread criticism was in public forums. On the basis of the regularly collected information reports concerning the public mood of employees, reports of larger party meetings and other documents it can be, however, confirmed that in the era of the economic reform functionaries showed themselves to be more than ready to report about working-class grievances towards the higher political bodies. Many old communists thought that the economic reform would harm the social basis of the party and endanger the social consensus with the working class. In the provinces political leaders, anxious to retain their positions, undoubtedly had an interest in reinforcing anti-reformist feelings. This, apparently, succeeded only too well because debates over the reform brought to light real political concerns about the weakening of the position of the industrial working class; moreover, people used the opportunity to express a more deeply rooted social discontent with the ruling regime. In particular, workers addressed three issues critically: the increasing material inequalities between workers and managers, the high income of the peasantry and the lack of enterprise democracy. The first two criticisms were connected with the economic reform; the lack of control in the factory was, however, a criticism that was targeted at the established power relations of the socialist system.

In 1972 a survey was conducted on the conditions of the working class in the county. The survey found that material and social discontent was widespread among the working class.

Significant masses of the working class (those who have low wages and big families) disapprove of the increase of prices, particularly that of clothing. They won't accept that it is not possible to improve their situation 'because of the interests of the people's economy'. The greater part of the working class does not hold workers to be a leading power, or to be proprietors, because the shortcomings that they experience in their workplaces confuse their

judgement. For instance, when nobody asks for their opinions and they have no say in production, enterprise democracy does not function and there are unreasonably high wage differentials between workers and managers. *In many places workers feel that they only have the right to work.*<sup>52</sup>

The last sentence of the report is highlighted because it nicely dovetails with the cited information report from Gera: workers cannot work continuously because of the bad supply of materials; they have to pay the price for the wrong decisions of the managers while the latter do not take into consideration the interests of working people; they have become detached from the masses, they have forgotten where they came from, they behave like the new rich, and the list of grievances can be continued. We can identify common sources of criticism: unprepared investments, bad management of work, the increase of material inequalities between workers and managers and the downgrading of the working class. It is also important to stress that these grievances were listed in an official report that was sent to the national leadership. The fact that sentences such as ‘what do we get out of socialism’ or ‘workers feel that they only have the right to work’ were included in the reports shows that the functionaries were well aware of the fact that workers did not believe in the official propaganda that the working class controlled the means of production. It is also important to note that functionaries showed an interest in working-class opinions and they took the criticism seriously with the expectation that the criticism would *influence* the party’s policy towards labour and the fate of the economic reform.

According to a report of the political education of the party membership of the county many people questioned the leading role of the working class:

A large part of the blue-collar workers and some intellectuals of working-class origin limit the term working class to blue-collar workers. They criticize their declining number in the leadership and wrongly conclude that the leading role of the working class is decreasing. They argue that with the change of economic management and the increase in technological requirements the working class lost its leading role and political leadership was taken over by the more educated economists, engineers, intellectuals and state officials. Some are even more pessimistic about the leading role of the working class in the future because they think that with scientific-technological development, society will be increasingly controlled by the economic and technical intelligentsia.

According to the report, many intellectuals look down on the working class: ‘There are opinions among the intellectuals that the lack of education renders the working class unfit for leadership. This opinion can be also found among intellectuals who are members of the party.’<sup>53</sup>

The gulf between workers and managers was, however, deeper than the gulf between workers and intellectuals. Economic reform increased managerial rewards and reinforced the social distance between workers and managers. Trips to Western countries, luxurious offices and expensive cars suggested that it was primarily the managers who profited from the factories:

The employees told us that they think little of protocol visits. A significant part of the party and state leadership and the members of the apparatus pay only hasty, administrative visits. They speak with the lower managers but they rarely see the employees. Mainly blue-collar workers complained that since the economic reform, managers had refused to deal with the problems of employees because they were too busy. There is a widespread – sometimes exaggerated – view in the working class that high incomes have rendered leaders too materialistic and that they live a *petit-bourgeois* life. (Signs of materialism can be found among workers too. Many of them undertake private work or they do odd jobs for artisans.)<sup>54</sup>

At party meetings workers also criticized the distinguished treatment of the leaders:

In the Sopron Cotton Factory people said that at production conferences only workers are criticized, managers are not. They consider the wage differentials between workers and managers to be unjust, for instance in some party organizations in Sopron: the Wagon Factory,<sup>55</sup> etc. Managers who are relieved of their positions because of their mistakes will be given leading positions somewhere else. Why don't they send them back to the shop-floor?<sup>56</sup>

In theory, the enterprise council exercised control over the management, but in practice employees were afraid to criticize managers in public. The party organizations received many negative opinions about the functioning of enterprise democracy.

A significant part of the party membership holds that people risk their livelihood with their criticism. It is only a formal requirement that the mistakes in the administration of the party, the state and the economy should be revealed to those competent to deal with them. In practice people won't exercise this right. They say that the party cannot protect the rightful critic from the consequences.<sup>57</sup>

Such comments suggest that there was a strong hierarchy within the factory, which rendered enterprise democracy largely formal. Although the party advocated an egalitarian ideology, in reality little effort was made to raise the political consciousness of the people.

In contrast to the Zeiss factory, which had a skilled, urban working class, in the personnel of Rába we find a significant group of workers, who commuted daily from the countryside to the factory and also farmed small plots of land next to their jobs in the factory. Interestingly, urban workers identified this group with the peasantry, whose growing wealth was also a frequent source of criticism next to the high managerial incomes. According to several information reports, urban workers charged the government with an outright pro-peasant policy, which threatened to undermine the worker–peasant alliance.

Urban workers who are members of the party measured the worker–peasant alliance against the standard of living of the two classes. In some places people were biased against the peasants and they compared the low factory wages with the prosperity of the villages. We often heard the remark: ‘It is always the working class that has had, and still has, to make sacrifices.’ People thought that state subvention of agriculture only served the interests of the peasants. Even though in general they agreed with the improvement of the standard of living of the peasantry, they added that workers’ power should do more for the working class.<sup>58</sup>

The secretary of the executive committee of the county also underlined that the better material opportunities of the peasants created tensions between the two classes:

According to the five-year plan the wages of the working class and the peasantry should be equally increased. I don’t think that this is the case now, or that we can ensure it in the future. Industrial wages increase by 3–4 per cent on average, but we cannot regulate the income of the peasantry. In our county the wages of the workers have increased by 4 per cent this year, while the income of the peasantry has increased by 16 per cent. This leads to increasing tension and workers say that we have a ‘peasant’ policy.<sup>59</sup>

Anti-peasant feelings were undoubtedly present in the party. Many party functionaries were biased against the villages, which they considered to be culturally backward and ideologically unreliable. The influence of the church was also strong in the villages, which was considered to be a sign of political unreliability. Religious people were often held to be members of the political opposition to the party.<sup>60</sup> According to a report on the conditions of the commuters of Rába MVG, it was difficult to engage them in social or party work because their agricultural activity took up all of their free time.<sup>61</sup> The bias of the functionaries that the working class was more politically developed than the peasantry was often manifest in the meetings of the executive committee. For instance, one member of



the executive committee argued that backward political ideas came from the villages to the factory:

The report states that political inconsistency and ideological wavering can also be found in the working class. I think you need to take a more differentiated approach and examine how things look within the working class: in the old guard, among the skilled workers, among the unskilled, the semi-skilled and the commuters. It would be good to know if the latter take home socialist ideas or bring in the backward views that negatively influence the political mood of the working class.<sup>62</sup>

The material prosperity of the ‘backward’ peasantry was therefore held to be politically unjust.

The conflict between the working class and the peasantry was, however, an artificial one. A study of social stratification in the county found that ‘pure’ working-class households constituted only 43 per cent of the population in the villages of the Győr district, while worker–peasant ‘mixed’ households amounted to 20 per cent. Pure peasant households amounted to 23 per cent in the district of Győr, 22 per cent in the district of Mosonmagyaróvár, 24 per cent in the district of Sopron, and 31 and 40 per cent respectively in the districts of Kapuvár and Csorna. The ratio of the worker–peasant mixed households varied between 18 and 24 per cent in every district.<sup>63</sup> The prosperity of the villages mainly came from the double incomes earned in agriculture and industry: people worked in the factories of the nearby towns and they cultivated their household plots (*háztáji gazdaság*) in their free time. This was also frequently stressed in the party documents:

The primary party organizations of MVG should deal more with the role of the household plots and the evaluation of the agricultural activity done there. You should explain to the workers that more and more working-class families have an income from subsidiary farming. Statistical surveys prove that there are less and less pure worker and pure peasant households in the county. The income of the overwhelming majority of the households comes from mixed sources because family members work in industrial, agricultural and intellectual workplaces.<sup>64</sup>

The aggregated information reports of the county, however, show that both workers and peasants thought that the other class lived better: ‘In many places workers complained that the income of the peasantry was higher than that of the working class. The members of the party in the cooperative farms thought, on the contrary, that the working class received higher social benefits and they had better working conditions. They criticized the fact that, in this respect, the peasantry lagged behind.’<sup>65</sup>

Information reports show that urban workers often identified commuters as peasants. 'In the villages around industrial centres, the income of the peasantry is significantly higher than that of industrial workers. It is true but you should admit that they work more than eight hours. They make more money with more work. Urban workers do not have this opportunity. They have hobby gardens but it is not the same.'<sup>66</sup> It was widely believed that the peasantry had a higher income than the workers. According to information reports, urban workers discussed the sizes of houses people had built in the villages and wanted to know how they could afford them.<sup>67</sup> 'Many workers argue that the standard of living of the cooperative farmers is higher than that of the workers. They think that this is because they have more opportunity to work for themselves and they cultivate their private plots at the expense of the work of the collective.'<sup>68</sup> The conflict was, however, not between the workers and peasants but rather between two specific groups within the working class: the commuters and the urban workers. It is therefore misleading to speak of the 'peasant' policy of the government because fellow workers were also considered to be peasants.

The large group of commuters (they constituted 40 per cent of the workforce of Rába) indicates an important difference between the social composition of the East German and Hungarian working classes.<sup>69</sup> While there was a massive transfer of labour from agriculture to industry as a result of the grand-scale communist modernization programme, a large part of the newly recruited working class continued to preserve a rural residence. Although under Kádár there was a massive drive to reorganize farming into agricultural cooperatives, small-scale private farming was permitted. Many commuters were engaged in agricultural activity next to their jobs in industry, and preserved the culture of the peasantry. This group was often disadvantaged in the hierarchy of the factory: many worked as unskilled or semi-skilled workers, and their educational level was also lower than that of the urban workers.<sup>70</sup> It was also a recurring complaint that commuters 'have no time for party life'. Therefore we can safely conclude that the party organization of the factory was dominated by the urban working class, who had more opportunities to participate in adult learning and working-class social, cultural and community life than the commuters, who after finishing work in the factory, went back to their villages to farm their lands or raise animals. The significant size of the so-called 'worker-peasants' in Hungary shows that the economic backwardness of the country continued to provide for a different trajectory of the formation of the Hungarian working class than the more developed East Germany.

While there is evidence that the 'worker-peasants' were less interested in the political life of the factory and they also had less energy to demand

more rights because they worked hard both in the factory and in their villages, in the more liberal atmosphere of the 1960s it was not only the income differences that were criticized – we can also read documents which addressed the contradictions of the established socialist system and the actual lack of working-class control over issues of production. The formality of enterprise democracy was criticized even within the executive committee. Even though the plan was discussed at production conferences, employees had no opportunity to influence decisions. As one report complained, in many places there was no preliminary information given to the employees, who consequently could not influence the managers' decisions that were announced at these meetings:

So the majority will hear the account only once and won't be able to make substantial comments. It decreases the importance of the conferences that in many places the leaders announce the final plans and the already-decided facts to the collective. They won't discuss how they determined the objectives of the enterprise. The proportion of attendees who are prepared to speak is often below 10 per cent. People generally don't criticize their direct leaders. ... The managers are not responsible to the employees and this can render the leadership despotic. In the various democratic forums people refuse to evaluate the leadership and criticize their mistakes. The management often does not even ask the trade union.<sup>71</sup>

The weak influence of the trade union over management decisions was strongly criticized in the county executive committee, which shows how far criticism went in the period. The above contribution suggests, at any rate, that even though the trade unions were under the control of the party, trade union leaders were often very critical of the inability of the trade union to enforce interests. The sarcasm of the speaker also shows that this criticism was widely known:

The various surveys show that 60–65 per cent of employees have no opportunity to influence the management of the enterprise. This makes one wonder how we are to realize enterprise democracy? The comrade who spoke before me asked if employees can influence the production conferences. They cannot, unfortunately. Let us take, for instance, awards of socialist distinctions such as 'eminent worker' and 'socialist brigade'. In our county, 5,225 people were awarded the title of 'eminent worker' and only 3,300 of them work in industry, including the technicians and engineers. Is it really workers who are winning these titles or are we trying to realize our own ideas? There is not even one case of a production conference where managers have introduced two or three alternatives enabling employees to really make a choice. You can ask to what extent leaders depend on employees today. I mean the management, the party leadership and the leadership of the trade union committee. For how

long can employees keep their positions? Does it depend on the employees themselves? No, it depends only on the higher leadership. If employees are not satisfied with the work of managers, it is in vain that they turn to the trade union committee because the trade union cannot call them back. But if a low-level manager dares to criticize his boss, he will get his notice the next day. You can say that the trade union has the right to criticize the managers. As long as we have a system of appointments and the party controls the appointment of the managers, this right only exists on paper. You cannot name one person in the county who has been rejected or appointed upon the recommendation of the trade union.<sup>72</sup>

The speaker was also bold enough to make fun of the system of democratic centralism: ‘Last time when we discussed the internal management of the enterprises, it was said that it is useless to make a decision until we know the standpoint of the ministry. But if we know it, then why should we make a decision?’<sup>73</sup>

The above quotations illustrate well how far social dialogue went in this period – very probably against the intentions of the hardliners. Criticism reflected genuine discontent on the part of workers with their economic and political situation; it is remarkable, for instance, that party documents recognized that a large part of the working class did not hold workers to be socialist proprietors. Nor was the leading role of the working class – propagated by the party – reflected in the standard of living, particularly when the workers saw signs of prosperity among other social strata. Growing materialism reinforced internal divisions within the working class, too: for instance between commuters, who were often identified as peasants, and urban workers. In this competition the working class could rightfully feel disadvantaged because managers and their families, who could supplement their income in agriculture, were in a better position to accumulate wealth. Official socialism could not render people forget that their social status became increasingly determined by levels of consumption, which worked against the egalitarian ideology that the party propagated. The introduction of the reform, which advocated ‘more market’, in essence meant that the social position of people was increasingly determined by material means, which – in contrast to the official slogans of the party – downgraded the importance of the industrial working class. This paved the way for a deeply rooted working-class disillusionment with official socialism.

### *The Appearance of the New Rich*

In the era of the economic reform, increasing material differentiation was one of the main targets of social criticism. The extravagant lifestyle of the

new rich triggered envy: symbols of status like big houses and weekend cottages, trips to the West and Western consumer goods were among the most frequently condemned features of this lifestyle. Wealth became visible in society: people no longer sought to conceal their private property; on the contrary, good financial circumstances expressed the social status of people. According to information reports, people counted a large part of the *nomenklatura* among the new elite:

We can conclude from the brigade inquiries that the number of anti-leader manifestations, particularly with respect to economic management, has increased within the party membership. People believe that the interests of the leaders and employees are distinct and even conflicting, even if they are members of the party. They also said that today our society is only theoretically divided into classes and strata; in practice, it is divided into the wealthy and the non-wealthy. Grass-roots members of the party argued that a new elite has emerged, whose income is much higher than that of an average employee. The majority of state leaders and enterprise managers and part of the petite bourgeoisie belong to the new elite.<sup>74</sup>

The party documents give abundant material for the criticism of the appearance of ‘capitalist features’, most notably materialism and individualism. The scramble for money was condemned as a petit-bourgeois attitude but the party organizations of the county all agreed that it was becoming more and more widespread and affected the whole of society.<sup>75</sup> The information reports similarly underlined that people were becoming more interested in material values:

According to blue-collar workers, the petit-bourgeois mentality was widespread in the party leadership, where materialism and occasionally enrichment without work has gained ground. Factory workers who were members of the party sharply criticized the phenomenon that it is not work but the car, the plot and the weekend house that matter, and that a modest lifestyle is almost regarded as a social disgrace. Cunning, back doors and socialist connections play an ever-increasing role in the achievement of individual success. Collective solidarity has declined: people care less about the problems of others.<sup>76</sup>

‘Petit-bourgeois’ attitudes, however, also appeared in the working class: ‘While working-class party members and collective farmers condemned petit-bourgeois egoism in others, they refused to see the same mistake in themselves. They did not consider it immoral to make things on the side or violate labour discipline.’<sup>77</sup>

The appearance of the new rich was a widely criticized social phenomenon, and even the executive committee and the party school discussed

the question of how to fight against the 'petit-bourgeois' mentality. Even though no cure was found, it was clear that people observed the increasing prosperity of certain social strata and were angry that it did not belong to them. Party organizations argued that the economic reform increased social inequalities. 'People think that the increasing differentiation of income is the main source of mistakes (executive committee of Sopron). Many people think that the economic mechanism reinforces the capitalist view because the chief criterion is profit, and socialist humanism is lost.' It is also possible to read into this that the economic mechanism has given rise to more opportunity for fraud and unlawful profit-making. The party school of Sopron went even further, arguing that society has become immensely corrupt.<sup>78</sup> According to the reports, another manifestation of materialism was the declining interest of people in communal affairs and unpaid social work. The party committee of Sopron reported that people often ridiculed those who worked unselfishly for the collective. The party committee of Győr put it bluntly that socialist consciousness 'is not fashionable; whoever wants to live like that will often be isolated'.<sup>79</sup> According to many primary party organizations, 'unselfishness has disappeared and people are only willing to work for money. It is a social illness which has infected every social class. There are passionate debates about egoism everywhere, including the party membership.'<sup>80</sup> The reports also complained about the declining social activity of people, which they explained in relation to the fact that 'more and more people look for profitable occupations outside of the workplace instead of working for the collective'.<sup>81</sup> It was noted critically that some socialist brigades only worked for premiums.<sup>82</sup> The secretary of the county observed that managers were also chiefly interested in premiums: 'We criticize workers for doing private jobs but it is normal when managers first ask how much the premium is. They forget that it is their duty to do a decent job. We have got a thousand and one problems here.'<sup>83</sup> No wonder that the reports underlined that society had become more materialist: each social class charged the others with being interested only in money. Even though agitators spoke of the socialist mode of consumption, it was clear that consumer society did not work according to socialist principles.

The extravagant lifestyle of the new rich was also addressed critically in information reports. Conspicuous consumption was one of the chief characteristics of the 'petit-bourgeois' mentality, and conspicuous consumers were charged with ideological deviation and political disloyalty to the party. Students of the party school argued that it was not the petite bourgeoisie as a stratum that was dangerous, but embourgeoisement as an attitude:

One of the most characteristic features of the petit-bourgeois attitude is the absence of sincerity. There are people who always follow the party line in public while they give their earnest opinion in private. This group spreads the wildest rumours and depicts an exaggerated picture of the difficulties. They glorify the West and underestimate our results, infecting the others with their defeatism.<sup>84</sup>

Although the party condemned the petit-bourgeois mentality, it had a rather conservative ethical code. Members of the party – particularly leaders – were expected to live an irreproachable family life. Adultery was condemned as a manifestation of petit-bourgeois conduct:

We receive several warnings from the county that the benchmark of social rank is what kind of car, villa, weekend house and lover someone has. These manifestations of the petit-bourgeois lifestyle are all the more dangerous when it concerns party members, state, economic and social leaders because people generalize from the negative examples and they believe that the leaders today live like the gentry of the old world (party school of Sopron). In Győr people say that a society of the socialist gentry has been created. Employees criticize extravagance in the workplace, the luxurious equipment of offices, and frequent but unjustified foreign trips paid for from the budget of the people's economy.<sup>85</sup>

Informants would also draw attention to the fact that many members of the new rich in the county had religious connections, even if they were members of an atheist party, and they were charged with hypocrisy.

19.7 per cent of schoolchildren regularly attend Bible classes. The church even organizes beat-masses to win over youth. We have received information that the contacts of the Benedictine teachers and their former students (doctors, leading engineers) are legalized and regular features of the organ concerts of Pannonhalma. In recent years, participation in religious ceremonies has started to be fashionable, expressing membership of a wealthier, superior class. The negative example of the local elite (doctors, veterinary surgeons, non-party member leading engineers) is very harmful because people believe that for them everything is allowed.<sup>86</sup>

The appearance of the new rich did not only violate the principle of social equality but its members were also considered to be ideologically unreliable.

The 'struggle against a materialist mentality' was not very successful because the topic was also on the agenda of the party school in the following year. Attendees at the party school consequently distinguished between class position and mentalities. 'Students drew the right conclusion that it is not enough to consider only the class position of people; you can find a Marxist in the petite bourgeoisie and, conversely, it is also possible to find petit-bourgeois attitudes in the working class.'<sup>87</sup> The debates show

that criticisms of these kinds of social phenomena persisted and that social differences kept on growing:

Many students noted that our social system had also created its own ‘aristocracy’. Managers and state leaders of working-class origin have become detached from the masses. There are leaders who look down on the collective, they believe themselves to be infallible and they behave haughtily towards their subordinates. Students also asked why leaders preferred trips to the West. The petit-bourgeois attitude becomes a problem when people reach a certain standard of living and start to ape the lifestyle of the ‘upper class’, imitating ‘gentlemen’. Some leaders have family members who also do not know the limits and who dress and act very extravagantly. Students criticized the fact that ‘socialist connections’ mattered more than the true principles of the party.<sup>88</sup>

The indifference of society was also addressed in the discussion: ‘The students see an increasing introversion in society. They explain it with the fact that the acquisition of material goods completely absorbs people, who retire from social work and the administration of public affairs. Some students argued that artists and sportsmen, who lived in very good material circumstances, had still decided to leave the country illegally.’<sup>89</sup> It was apparently ingrained in public consciousness that society had become more egoistic.

The image of the ‘idle rich’ also appeared in information reports. Like the complaint that managers’ foreign trips and expensive offices produced no profit for the country but only enriched managers, people also condemned conspicuous consumption as harmful for the people’s economy.

The appearance of expensive furniture in shop windows, which is a capitalist export, was negatively received among the blue-collar workers. It is a general question which worker can afford to buy any of the products on display. According to the workers, the country should instead be buying industrial tools from the West, given that, in the first place, we have to be sparing with Western currency.<sup>90</sup>

Conspicuous consumption was confronted with the interest of the larger collective: the criticism that the rich lived well at the expense of the people’s economy and produced no profit for the country, only for themselves, expressed a moral judgment of their egoism.

Even propaganda material suggests that the unequal distribution of wealth was already an accepted fact, and that the main objective was not to change this social reality but to demonstrate the moral superiority of non-materialistic values. Propaganda intended to render wealth less attractive in the eyes of the public, but even in this it was not really successful, since increasing wealth was an integral part of consumerism. It was characteristic of agitators, for instance, that they criticized the publication of the following article and not the social phenomenon that it described:



The employees were outraged by the article 'Living Room with Full Comforts and a Swimming Pool' published in *Lakáskultúra* (1973, no. 3). The value of the flat the article introduced is about 1,000,000 Ft. According to the author, a young couple built the flat and they saved the money for it. The workers can hardly believe this. They see no point in publishing such annoying articles.<sup>91</sup>

Parents also complained that local Roma were selling real Western jeans for double the price of what Hungarian jeans cost in the state store.<sup>92</sup> The material differences between families manifested themselves among their school-age children. Excessive consumption was condemned, but no one knew precisely what rendered consumption excessive. The creation of an egalitarian society was postponed to the distant future: the social message of propaganda was not to change property relations but rather to learn to live with existing inequalities.

Even the officially recognized literature expressed the social reality of 'embourgeoisement' and the essential hypocrisy of a society, which on the one hand propagated egalitarianism and the emancipation of the working class, and on the other hand became increasingly commercialized. A good example is the youth novel *Karambol* (Budapest, 1979) by Anna Dániel, which received the Gorkiy prize. The novel depicts a society which is socialist only in its state order, while more and more 'capitalist' elements appear that question the socialist set of values. This is manifest in the increasing social differences and the privileges that some of the young characters of the novel enjoy and others do not. The message of the book, however, is not to change the unequal world of the adults but to recognize the human emptiness of the world of the rich and to renounce materialistic values. In *Karambol* it is already remarkable that the moral superiority is the only consolation that society can offer to the poor heroes of the novel.

There was a great deal of complaint on the side of the functionaries that individualism negatively influenced party life. In Rába MVG an investigation of 1975 found that there were primary party organizations that had not held a party meeting for months. One speaker on the executive committee commented that it almost looked like punishment to participate in party meetings.<sup>93</sup> In the discussion of a report on exemplary communist conduct, one member of the executive committee of the county stated bluntly that one had to look for it with a magnifying glass. Although he did not relate it to the economic reform, his moral criticism keenly expressed the view of old party workers that the life of the movement was undermined by the spread of materialism and indifference:

We even experience passivity in the party. I don't want to argue about the 5 per cent,<sup>94</sup> but we can multiply it safely by five and even then we are too op-

timistic. No numbers can express the indifference to party work and political questions. When it comes to a political debate, party members just stand there open-mouthed and do not stand up to defend the party's standpoint. This question does not even come up in the factories and still we are all satisfied and declare that everything is all right.<sup>95</sup>

A survey of 1972 revealed, however, that even the party membership related critically to socialist propaganda, which was unable to respond to the new social environment. The representative sample included a thousand party members. Only a quarter (26.3 per cent) thought that the leading role of the working class meant that the working class had decision rights in the most important social and political issues, and even less (14.6 per cent) believed that the working class had a leading role in economy. A quarter failed to give a clear or relevant answer (18.1 per cent: schematic; 8.7 per cent: inadequate). According to the majority of the respondents, employees were left out of enterprise democracy: 40.7 per cent answered that enterprise democracy depended on the management, 26 per cent that it depended on the party and mass organizations and only one-fifth (21.1 per cent) that it depended on the political activity of employees. Half of the respondents (52.2 per cent) agreed with the statement that the employees had hardly any opportunity to influence the enterprise decisions that concerned them. Many respondents did not think that party membership played a decisive role in shaping political opinions: 92 per cent saw a difference between the thinking of Marxists and non-Marxists, but only 54.6 per cent thought that the difference was manifest in political ideas. Even though the party sought to sustain the moral respectability of its members, the respondents evidently did not connect human conduct with party membership: only 4.6 per cent saw a difference in moral attitudes and 3.3 per cent in the attitude to work between Marxists and non-Marxists.<sup>96</sup> Finally, the survey could not clarify concepts of socialism, which suggests the ideological uncertainty of the party membership:

Some people seek a realized socialism where there is no conflict of interests, others think that socialism will be realized only in the distant future and there are also people who universalize economic interests. The result is either self-deception or unreasonable pessimism. People have a narrow understanding of socialist existence and consciousness, and tend to limit existence to purely materialistic issues. Part of the membership thinks in terms of rigid categories, drawing exaggerated conclusions from the surface phenomena.<sup>97</sup>

Given the closeness of prosperous, capitalist Austria, it was very difficult to argue that socialism offered a higher standard of living to its subjects than did capitalism. It is clear from information reports that Western con-

sumer goods were regarded as symbols of status, and those who could travel frequently to the West were envied because they could acquire the desired products. The youth in particular were charged with ‘excessive Occidentalism’: party hardliners argued that Western lifestyles were seen as too attractive by young people, and that many young people – including working-class youth – were interested above all in money.<sup>98</sup> Tourists evidently returned with positive images of the West: in Győr informers found it important to report that people were less fascinated by Western lifestyles than had previously been the case.<sup>99</sup> Agitators pointed out that one should compare not only the wage difference between Austria and Hungary but also the cost of living – which indicated that people generally knew that the wages in the West were much higher. An information report from the Wagon Factory argued that the comparison of wages and prices ‘only served the interests of the capitalist countries’.<sup>100</sup>

The ‘fight against materialism’ could not become successful because people became increasingly interested in consumption, and the party itself sought to gain popularity with the standard-of-living policy. A member of the executive committee, for instance, argued that the car, the weekend house and the trips were no luxuries.<sup>101</sup> The party fought against the ‘petit-bourgeois’ attitudes with words rather than with deeds. As criticisms show, in the eyes of the public a segment of the new rich was in fact closely connected with the system. It was difficult to expect exemplary communist conduct from grass-roots members when militant communism was replaced by a consumption-oriented policy and workers were increasingly integrated into a socialist middle class, which was essentially petit bourgeois in its nature. The increasing gap between official socialism and the reality of the Kádár regime rendered the political atmosphere hypocritical. The party succeeded in pacifying the working class; but in the long run, it had to pay a heavy price for the depoliticization of the workers, which was the price of their integration into the Kádár regime.

### *Ending a Social Dialogue*

The materials of the reform era reveal a remarkably high level of concern among the party regarding the attitudes of the working class. It was in fact the last time the leading role of the working class was discussed by the party membership. According to information reports, the subject was also on the agenda of public meetings.

Many speakers dealt with the issue of the leading role of the working class. We should influence the activity of the workers primarily with the demand of political consciousness and other factors. We need to increase the social rank of

physical work and introduce the perspective of a worker's career. The speakers recognized that it is important to engage the workers in the leadership of the party, state and social organizations but they underlined that it is an equally important political requirement to prepare them for the fulfilment of a given position and ensure their competence.<sup>102</sup>

The party evidently sought to renew the social settlement with labour and demonstrate that workers' welfare was central to its policy. The remarkable openness of the sources suggests that the party also attempted to improve its communication with the working class and to engage them in a real social dialogue.

The attempt at openness did not, however, last long and at the ideological level an outright re-dogmatization can be observed: from the mid-1970s the functionaries are recorded in the party materials as repeating the same old political slogans. The new first secretary of the county party committee, who assumed his duties in June 1974, introduced himself with a lengthy attack on private property, which displayed the widening gap between socialist propaganda and the reality of a consumer society:

At the 9<sup>th</sup> Party Congress,<sup>103</sup> comrade Kádár said that communists seek to ensure that everybody has the same amount of food on his plate as they have. Some people are not interested in how much others have on their plates; only in what they have on their own. They separate their own interests from the interests of the community. The problem with private property is not that it increases, but that it becomes omnipotent – even if someone has acquired money by honest means. For instance, people build weekend houses not in order to rest in them, but in order to keep up with the Joneses. I visited one county and had a chat with a leading comrade. I noticed that he was not listening to me, but kept on looking out of the window. I asked him what he was thinking about. He said that he was worried it might rain, because he had sprayed insecticide on his plants. If it rained he would have to spray them again. Unfortunately we do find such phenomena.<sup>104</sup>

Party leaders of course had to represent the party line, but the secretary was apparently over-zealous and his speech showed little understanding of the economic policy of the party. Economic equality was obviously not on the agenda; the speech merely reflected that the secretary had no relevant message regarding the new social relations.

Similarly, the old political dogmas had no relevant message to offer the working class. One objective of the party-controlled media was to give a positive image of labour, but as the following contribution of an editor shows, propaganda was very much detached from the life of workers. The false image was more inclined to anger rather than win workers over to

the cause, particularly given that they increasingly experienced a different social reality:

When I received the report on the conditions of the working class in the county, I listened to a radio report. It was about why the workers of the Water Conservancy Directorate – drivers, cleaners and dam-keepers – decided to finish the seventh and eighth classes of primary school. These people won't get promoted, they probably won't get more money and they still decided to go to school because, as one of the drivers said – and I quote, 'it goes with our world-view that we yearn to study'. Mark the formulation: we yearn to study! You yearn for sweet fruit, tasty meat, fresh water or a nice landscape and – in the words of this driver – you yearn to study. A simple man has formulated this very fittingly and truly. Yes. Our strength and truth lie in rendering people able to yearn for everything that is beautiful and good. This is the point of the party resolution on public education and our repeated discussions of the conditions of the working class that is our topic today in the executive committee of the county. Because – and it is good to know this – the party is aware of the fact that the first and most important condition of the harmony of our social system, which is not contradicted by the dynamism of our development, is the general satisfaction of the working class; and a further condition is the stability of the worker-peasant alliance. We often declare that there is a good political climate and public mood in our country – and how very true it is!<sup>105</sup>

The quotations reveal the basic contradictions of socialist propaganda. Functionaries typically considered workers to be too immature to understand their wider social context, and the ideological triumph of the hardliners reinforced this attitude. When enterprise democracy was again on the agenda, the strongest criticism was that not every party group had reconciled their opinions with the party steward.<sup>106</sup> Even in the official party documents there were comments that simple people were rarely expected to have anything to say about politics.

All of our employees agreed – and this was also the opinion of the delegates – that until now there had not been such a well-organized and professionally excellent conference in our county, at which problems could be aired with such honesty. *It was a very surprising fact that simple workers gave their opinions on their work and also on the problems of the county and the country. It was even more surprising that several blue-collar workers contributed with such clever opinions.*<sup>107</sup>

The sentences in italics show that a certain bias against the 'simple workers' existed within the party apparatus.

This patronizing attitude effectively hindered communication between the party and the working class – all the more so when social experi-

ences increasingly contradicted propaganda. Even though there were attempts to explain growing material inequalities between the social classes through the economic reform, the examined documents show that in public consciousness the increasing importance of private property was the product of a social process that had already begun. Apparent materialism was much criticized, but it influenced the behaviour of every social class. With respect to the response of labour one can, indeed, speak of two contradictory arguments. On the one hand, the fact that society had become more materialistic and the accumulation of wealth had gained an ever-increasing social significance was criticized. On the other hand, growing inequalities triggered the material discontent of the industrial working class because wages in state industry lagged behind the private sector. Consumerism gradually pushed unpaid social and political work into the background: people sought to be part of consumer society rather than social activists. The party could condemn materialism, but it did little to reverse this social process. Since part of the new rich belonged to the ruling elite of the system, the party lost the moral ground to attack the growth of private property.

Materialism and individualism were therefore not the products of the economic reform; the relatively liberal atmosphere of the reform era merely rendered visible ongoing social processes. Even party materials reflect the recognition that the new dividing lines in society could not be linked directly to the traditional classes. A good example is the perceived tension between workers and peasants. Many workers regarded commuters as peasants; thus, according to traditional interpretations, it was a conflict within the working class. Since employment in the private sector meant additional income, individualism also spread in the working class. Introduced surveys, too, support the argument that the traditional class categories failed to grasp the new social inequalities (e.g. a worker could also be a private entrepreneur or work in agriculture). The class category therefore became less important for the self-identification of people.

The individualization of society triggered many negative responses among people; in the light of the introduced sources, it was one of the most widely criticized social phenomena. This criticism may well have been reinforced by party functionaries, but it is remarkable that members of the party (and even its leaders) were charged with showing indifference to community work and party activities. Indeed, there were abundant complaints about the decline of the life of the movement and the devaluation of community work in the eyes of the people. According to party reports, people had become more egoistic and solidarity had declined; this was expressed in withdrawal from social work and communal activity.<sup>108</sup> The accumulation of wealth triggered the envy of other, less suc-

cessful groups: the building of large houses in the villages outraged the public, but also motivated many to try to follow the example. This had a negative impact on community life because people worked more and had less time for social relations outside of the family. Hypocrisy had a detrimental effect on social moral perspectives within society; leaders who were themselves considered to be selfish and greedy could not expect their subordinates to resist the ‘petit-bourgeois’ mentality. The contrast between communist ideology and social reality created a crisis of values, which rendered many people disillusioned with that ideology.

The response of labour was surely not the only factor that stopped the economic reform, even though more radical steps were planned. Fearing a loss of popularity, in 1972 the government decided to increase the wages of industrial workers, and it unambiguously committed itself to the standard-of-living policy.<sup>109</sup> This meant that the party refused to consider the political criticisms of the industrial working class, choosing instead to offer material concessions in exchange for its silence. This manifested itself in the closing of social dialogue and ideological re-dogmatization.

The triumph of the hardliners proved illusory for two reasons. First, the standard-of-living policy was not in line with the economic realities of the country, and it led to overspending and growing indebtedness. Since the government unambiguously based its popularity on the increase of consumption, it automatically risked losing the support of the people with the failure of the standard-of-living policy. Second, and perhaps more importantly, the decision to end social dialogue reflected the party’s failure to give a new basis for its communication with the people in a situation when the party was in urgent need of finding a new social message to address the working class. The old ideology was inevitably doomed to failure in this new social reality and the triumph of the hardliners meant precisely the return of the old political slogans.<sup>110</sup>

### **Carl Zeiss Jena in the New Economic System**

The Carl Zeiss factory – or rather, the workers of the company – enjoyed a privileged position also among the industrial enterprises of pre-war Germany. The eponymous entrepreneur, Carl Zeiss, founded his precision-mechanical-optical workshop in Jena in 1846. Zeiss himself was well known for his pedantry, and he set his employees high standards of workmanship. The real fame of the enterprise was established, however, through his partnership with Ernst Abbe, a Jena physicist and philanthropist, and Otto Schott, a chemist specializing in high quality optical lenses. Zeiss was the only enterprise in the world that could manufacture microscopes according to catalogue and set characteristics. This established the

success story of the enterprise: in 1875 the enterprise had 60 employees while by 1888 there were 327 in the factory. In 1889 the social-minded Abbe established the Carl Zeiss Foundation, which from 1891 became the sole proprietor of the enterprise. This form of ownership, which was at the time less typical, was combined with progressive social political measures and labour protection – for instance the regulation of the working hours, minimal wage, paid holiday, health care insurance, pension, severance pay and the legal representation of workers' interests in the factory. The generous social policy contributed not only to the success of the enterprise but it also facilitated the workers' identification with the factory that they could regard as their own from many aspects.<sup>111</sup>

During the Second World War, Zeiss was integrated in the armaments industry, and it suffered very heavy war losses. In March 1945, the enterprise employed 13,000 people, (around 70 per cent were Germans).<sup>112</sup> In 1945 the town of Jena was first taken by American troops, and when they marched out in order to handover control to the Soviets, they strongly encouraged the resettlement of scientists and professionals in the Western zone. The migrants did indeed found another Carl Zeiss factory in Oberkochen and a new Carl Zeiss Foundation in Heidenheim. The two firms could not reach an agreement about the use of the trademark, and after a long lawsuit, the matter was finally decided by a London court in 1971.<sup>113</sup> The rivalry of the two firms also symbolized the competition between the two German states in the period. Even though the Soviets ordered the dismantling of the factory, its rebuilding started in 1948 with a massive growth in the workforce: in 1950 the enterprise had around 10,000 employees while by 1954 their number had increased to 16,500.<sup>114</sup> The rebuilding – like in Hungary – went hand in hand with the change of ownership. The majority of the workers did not, however, greet the programme of nationalization and integration into the planned economy with unanimous enthusiasm precisely because of the former, generous social policy of the factory even though the party increased its propaganda to overcome their resistance.<sup>115</sup>

The East German economic reform and the reorganization of the enterprise structure opened up new perspectives for the town and the enterprise, which had already been renowned for its export performance. Ulbricht wanted to give the Zeiss factory a significant role in the new economic system, which manifested itself also in personnel policy. Ernst Gallerach, the deputy-in-chief of Zeiss, who was a loyal supporter of Ulbricht and his reform policy, regarded the implementation of the principles of the 'new economic system of planning and management' in the enterprise as his chief task. In 1966 Gallerach replaced Hugo Schrade, who was regarded as an 'old Zeissianer' (Zeiss employee), in the manage-



rial post – according to some memoirs he indeed urged the retiring of the chief manager even though Schrade was aged sixty-five in 1965.<sup>116</sup> The enterprise was held to be one of strategic importance, not only because of its export output but also because it served as a ‘laboratory’ of the new system of planning and management. That said, already in 1964 a socialist working group was formed with the task of developing the principles of the application of the new system in the enterprise. Even more important was the task of elaborating a prognosis for the long-term (15–20 year) development of the Zeiss factory, which Gallerach presented at the Seventh Party Congress in 1967. The members of the working group received state awards for their work – according to later memoirs they spent many nights at their workplace in order to accomplish the task.<sup>117</sup> In April 1968 the Political Committee decided that the enterprise would be the centre of the research of the rationalization and automation technology in the GDR, and relevant production would be also concentrated in the town.<sup>118</sup> When Ulbricht visited Jena, he also promised to invest in the development of the town; he criticized the crumbling houses and declared that such conditions were unworthy of a town which hosted the internationally recognized Zeiss factory.<sup>119</sup>

The reform of the economic management thus initiated significant developments in the enterprise, for which Gallerach, who enjoyed Ulbricht’s confidence, bore the main responsibility. In 1964 seven plants joined Zeiss, which thus became the leading enterprise of optical and precision instruments. In 1965 it received the right of foreign trade, first under the supervision of the Ministry of Foreign Affairs, but from 1968 the enterprise was solely responsible for its foreign trade. In 1967 the department of export–import was established, which from 1972 was accountable only to the chief manager. The research centre was officially opened in 1971, after two years of preparatory work. By 1975 the centre employed 4,741 people.<sup>120</sup> In 1980, this number was around 3,500 and 40 per cent of the employees had a university or a college degree.<sup>121</sup> The industrial and educational complex in Göschwitz was opened in 1970, where 2,100 trainees and 4,000 comprehensive school<sup>122</sup> students could be accommodated (there were also dormitories).<sup>123</sup> With that, Zeiss controlled supervision over the largest vocational training institution of the GDR.<sup>124</sup> The enterprise also played an important role in military research and development. Brezhnev’s visit on 20 April 1967 is a clear sign of the Soviet interest in the enterprise.<sup>125</sup>

Despite these results, the reform of the economic management in the enterprise was not an unambiguous success story – on the contrary, in the light of the local sources, the chaos of the last years of the NES was strongly felt in the factory. The price reform had a very negative effect on

the management of Zeiss because the costs of raw materials significantly increased while the prices of industrial products could not be increased accordingly because of political considerations. The increase of the prices put Zeiss in a difficult situation because they worked with very expensive materials: the price of raw diamond increased by 46 per cent, while a special opal glass cost 19.29 M instead of the previous 2.1 M.<sup>126</sup> The increase of energy prices, on which they likewise could not spare much, added to the financial difficulties of the enterprise: in 1964, the cost of energy increased by 1.6 million M, while the enterprise could only spare 125,000 M with rationalization.<sup>127</sup> In addition, there were huge arrears in export performance. The ambitious and taut plans of 1969 and 1970 worsened the situation of the factory to the extent that it could only avoid bankruptcy with significant state support.<sup>128</sup>

The evaluation of Gallerach's managerial achievement is ambiguous even in light of the above 'negative' facts, because several economic problems of the factory were connected with the structural contradictions of the reform. The reform itself was not consistent and foreign events (mainly in Czechoslovakia and Poland) largely influenced its outcome. Even though Gallerach was criticized by the central political bodies, it was not the economic problems of the factory but Ulbricht's political fall that decided his fate. It well characterizes the end of the reform that Gallerach received criticism not because of his economic performance but, quite the contrary, because 'he was too much absorbed in the economic tasks at the expense of political work'.<sup>129</sup> The report also charged the manager with liberalism, which was a clear sign of the dissatisfaction of the party leadership after the fall of the reform. Gallerach was relieved of his managerial post on 1 July 1971. His successor, Helmut Wunderlich, likewise proved himself too liberal to manage the ever-expanding enterprise, and he too had to leave the senior management in 1975. Contrary to his 'liberal' predecessors, the new manager, Wolfgang Biermann,<sup>130</sup> who was a candidate for the Political Bureau in 1966, was a supporter of the one-man management, and he ruthlessly removed the managers who he held to be politically unreliable or who dared to contradict him.<sup>131</sup> It is not accidental that no negative criticism of the manager manifested itself in the local sources until the fall of the Honecker regime.

With some justification it can be argued that the huge developmental projects started in the NES yielded fruit under Biermann. The workforce of the enterprise continued to grow because further plants joined Zeiss; the phase of concentration ended in 1985. In 1976 the *Zeiss Kombinat*<sup>132</sup> employed around 35,000 people, by 1980 it had risen to 42,000 and by 1985 it was 53,000. Out of this number, the workforce of VEB<sup>133</sup> Carl Zeiss amounted to 'only' 33,000 in 1985; of these, 26,000 had their

workplaces in Jena while around 7,000 worked in the plants of Eisfeld, Gera, Lommatzsch, Saalfeld and Suhl.<sup>134</sup> The state housing projects that Honecker launched mitigated the great pressure on housing in Jena: the modern housing estates in Neulobeda and Winzerla were built in the period. While in 1968 fifty people refused to work in the factory because they did not get the promised flats,<sup>135</sup> 5,207 new state flats were handed over to the Zeiss employees between 1970 and 1974.<sup>136</sup> Zeiss, like Rába, offered various facilities and benefits to their employees: in order to enable full female employment, the factory ran nurseries and kindergartens for Zeiss employees, and operated sports clubs, a cultural centre, a football team, summer camps and a polyclinic.<sup>137</sup> The enterprise was not only the major employer of the town but it was also the main sponsor of cultural and sporting events. The Zeiss Planetarium, which was renovated and modernized in 1983–85, has attracted not only the local people but has become a favourite tourist spectacle.

Thanks to the ideological discipline and strict censorship, the political weakening of the regime was less observable in the GDR than in Hungary. In October 1989 the chief manager loyally reported of a handwritten pamphlet that was found on the staircase of one of the plants.<sup>138</sup> The ‘transition’ was so quick that a few months later the employees were informed that a warrant had been issued for the arrest of the manager, who was accused of fraud. The whereabouts of the chief manager were unknown.<sup>139</sup> The evaluation of Biermann’s managerial achievement is ambiguous;<sup>140</sup> it was clear, however, that his prominent political role in the regime could not be forgotten.



Figure 1.2 Logo of VEB Carl Zeiss

*Ideology and Management: The Lot of a Socialist Manager  
was not a Happy One*

Since Carl Zeiss was in many aspects an ‘experimental field’ of the new economic system, and it was also an important export firm, it strongly felt the effects of the reform, many of which resulted from inconsistencies between the subsequent phases of the NES. The economic troubles, which affected the whole of the GDR in the last years of the NES, hit Zeiss particularly hard: the enterprise repeatedly could not fulfil the plans, there were huge arrears of orders, investments were not finished, and the enterprise accumulated huge debts. Even though many of these problems resulted from the structural inconsistencies of the NES, they undermined Gallerach’s authority, who constantly received criticism from higher party organs in this period. In addition, in the light of the local sources, the middle management, who belonged to the old guard of Zeiss, also questioned the managing director’s professional competence, who in response accused them of holding backward views and being attached to outdated methods.

This chapter examines the reception of the ‘new system of management’ among the managers and the workers of the enterprise in the last critical years of the NES. This period is all the more interesting because – contrary to the situation in Hungary, in which the ideological hardening of the early 1970s was followed by a relatively open discussion of economic and social problems during the 1980s – the sources of the Honecker era, at least in the light of the local (district and factory) party documents, tell us very little about everyday life and working-class attitudes. In this sense, Gallerach can be correctly termed a liberal for, while he tolerated attacks that undermined his managerial authority, the same could not be said of Biermann, whom nobody dared attack. The information report from Gera – which had an almost revolutionary tone in comparison with later sources – undoubtedly reflected internal party disputes, but it also revealed that at that time the local party organs were sincerely interested in working-class opinions about party policy, and they even attempted to engage them in a dialogue. Even more importantly, it seems that workers accepted the party as a conversation partner: it was evidently workers who made the quoted comments, and not party functionaries. The reform period was, however, the last time when the party demonstrated a genuine concern for its loss of working-class support. The Honecker regime did not even make an attempt to treat people as equal conversation partners: local party materials contented themselves with echoing official propaganda. The fall of Ulbricht’s reform therefore ended the limited dialogue between the party and the East German workers.

In the light of the documents Gallerach tolerated criticism, and this ability served him well in the fierce ideological struggles over the NES in the

last, critical years of the reform. The internal division of the party is shown by the relative abundance of surprisingly open criticisms in the documents, which are sadly missing from the monotonous repetitions of ideological phrases and over-bureaucratized language of the reports characteristic of the Honecker era. Nor can we read such controversial accounts of Biermann's leadership and management as of the colourful conflicts between Gallerach and the Zeiss managers. Even though many of the problems of the enterprise were the product of structural economic problems beyond Gallerach's control, the manager was frequently attacked, especially after 1968, when he had to reckon with both the weakening position of the reformers and the economic problems that his enterprise caused to the national economy, given its repeated under-fulfilment of its plan. In the light of the documents, the middle management of the enterprise was not enthusiastic about the ambitious investments and new methods. They were, at any rate, discontented with the 'outsider' manager (contrary to his predecessor, Gallerach was not an old Zeissianer), and they were ready to see him as the chief scapegoat for the unreasonable projects and the economic problems that resulted from the contradictions of reform. Gallerach was conscious of the conflict because, on his part, he frequently and publicly criticized the old management of the enterprise for their failure to understand and apply the principles of new economic management in their fields. On the 'Day of the Socialist Leader' (*Tag des sozialistischen Leiters*) – one year before he himself had to exercise self-criticism – Gallerach argued that the managers of VEB Carl Zeiss Jena had no reason to be self-satisfied, let alone conceited: 'There are managers even among our colleagues, who accustomed themselves to passivity, and they examine every question of our development from the perspective of an observer. We don't need observers and yes-men here, but we need active combatants.'<sup>141</sup> It was perhaps an achievement of the NES that criticism could be expressed in public, because otherwise it was not customary to trouble people with problems, especially on an official holiday.

The conflict between Gallerach and the old guard among management was, however, a very real one, as one month later the chief manager again laid into the old-fashioned methods and the lack of initiative of much of management in front of the factory party committee:

Today's most important problem is the elimination of deficiencies in the organization of production in our enterprise. I think that the greatest obstacle to this is self-satisfaction and managers' attachment to traditional, outdated methods. We need to pay more attention to the education of managers. In the factory I experience signs of resignation among part of the management. We need to treat this question as a political one. A manager needs socialist education, if he wants to educate others.<sup>142</sup>

East German leaders deployed a more militaristic rhetoric than the Hungarians even in the reform era; nevertheless, despite the rhetoric, the chief manager was not very successful in winning over the old guard to his new economic management style. More importantly, there was no sign that he had any effect on patterns of promotion, which suggests that managerial practice was more lenient than the rhetoric.

In the reform era even East German party jargon, which conformed to ideological requirements, sometimes turned into self-parody. Gallerach failed to give a more concrete description of how socialist managers had to be educated, but one year later when the problems of production again had to be discussed at a factory party leadership meeting, Gallerach's complaint suggested that he himself felt he should go on a shortened course.<sup>143</sup>

Even comrade Gallerach said that he was disappointed with the results and he listed several examples in order to prove that the under-fulfilment of the plan was primarily due to political factors. 'There is no discipline in the instrument plant, the managers do what they want, they permanently disregard the plan, the direct production managers and shop managers are making their own plans (I can prove it with a number of concrete examples), of which the majority of the workers are not informed. In addition, shift work is unsolved, and the management of the plant has not dealt with the E-system<sup>144</sup> for a year.' Comrade Gallerach finished his speech with the argument that there were problems with the political stance of officials in the instrument plant, and they needed to be critically evaluated.<sup>145</sup>

The managing director attempted to shift responsibility (and work) to the party organization as far as was possible, which was diplomatically commented on by the first secretary of the party organization of the factory: 'We have to start from the present situation and consider how we can show ourselves worthy of the confidence of our comrade Walter Ulbricht. We have to educate our managers so that they become fully conscious of what is at stake. Since they are not hard enough on themselves, they cannot educate the collective in state discipline.'<sup>146</sup> Another member of the leadership pointed out that the socialist work contest lacked 'fighting spirit' because the evaluation of the results of January was published only in June.<sup>147</sup> It seems that not only production but officials also could not fulfil their plan targets.

However comical these reports may sound today, there were real production and financial problems in the background, for which both sides of the dispute blamed the other. Even though the enterprise attempted to depict a rosy picture of the situation, one did not need to read between the lines in order to find criticism. In 1968, for instance, it was reported that the enterprise 'largely' fulfilled the plan but the financial manager owed this more to the unselfish work and overtime of the employees,

than to the management. That having been said, the report admitted that despite every effort, the enterprise could not fulfil the plan, which was explained primarily by the following reasons:

It has been a problem for years that the methods of the direct production managers are outdated and they need a fundamental revision. It is alarming that in some fields the managers lacked a clear overview of the whole production process as late as in December. In 1968 there was a further decline in the quantity of production causing a loss of 20 million Marks. The results of plan fulfilment in December show that we can save a lot of money and reduce overtime with better organization of labour, so we must definitely improve cooperation between the different plants. In many places there are obstacles to the introduction of innovations; this is shown by the fact that the number of our instruments that bear the trademark Q has decreased from 338 to 301.

In addition, the report argued that employees had different attitudes to the fulfilment of the plan, and that the continuous overwork of the previous three months had tested the patience of workers; therefore their political mood was not good: ‘On the one hand, there are those who are determined to fight for the plan; on the other hand, we can hear several doubts and complaints.’ Concerning the mounting discontent among the workers, the report considered it necessary to mention that the management would increase the wages of those in the 4th to 7th wage groups and also those of the direct production managers in 1969.<sup>148</sup>

This, of course, did not mean the end of the affair. The management of the enterprise was compelled to give an explanation to the district party committee of the district for Zeiss’s persistently poor plan fulfilment. The supervisory committee – not surprisingly – blamed middle management for the failure:

The ideological reasons lie primarily in the missing political and professional qualifications and the weak fighting spirit of middle management, who fail to recognize their responsibility for the political education of the collective and they content themselves with the management of the technological-economic processes only. This is manifest in the deficiencies of socialist democracy, the lack of commitment in problem-solving, the adoption of a passive attitude and the toleration of mediocrity, self-satisfaction and conceit. Many employees think that they only have to wait and see. This attitude results from the failure of the management to put the resolutions of the party into practice creatively, because they have not yet fully understood our structural policy and they don’t trust enough in the working ability of the Zeiss-collective.<sup>149</sup>

The factory party organization, was, however, opposed to further testing peoples’ patience, because the report of the following month took the

side of the employees, including management, stressing that they were doing everything they could to fulfil the plan (which implied that they could not be expected to work more without additional pay):

We invested much in the improvement of political-ideological work in our enterprise, which helped our employees to better understand and apply the principle of the unity of politics and the economy. This manifested itself in the willingness of the workers to sacrifice their individual interests for the interests of the collective, and they did everything in order to realize the 1968 plan, as well as to fulfil the prerequisites for the successful realization of the 1969 plan. We could not, however, achieve this difficult goal, despite the outstanding performance of our employees. Even though we had good enterprise results, there are a huge number of unmet orders, the production of articles that are in demand, etc.<sup>150</sup>

The ‘battle’ was fought at the level of ideology, rather than at the front of production, and despite its military rhetoric, the party in fact took care not to anger the workers too much. The factory party leadership energetically objected to the polite hint that the Zeiss-collective was capable of higher performance; they immediately pointed out that people had already gone to their limits, and it was not their fault that the plan could not have been fulfilled. This situation did not change during the last years of Gallerach’s management, and neither did the rhetoric of the party. In 1970, the following problems were singled out, which show that Gallerach was not in an enviable situation during this period:

The main obstacle to the fulfilment of the 1970 plan is the continual production stoppages, and because of that we cannot fulfil the export plan in time. Today the VEB Carl Zeiss Jena is one of the largest debtors among the enterprises of the people’s economy, which causes sensitive losses both to the people’s economy of the republic and to other socialist countries. It is true that by 31 March 1970 we over-fulfilled industrial production by 4 million Marks but there are significant arrears of exports, and the enterprise cannot fulfil all of its orders by the given deadline. In sum, we have to conclude that our war plan, to make up arrears of the plan, has not been realized. Our political-ideological work, from the managing director down, is targeted at the following problems, which hinder the realization of the programme: the fight against outdated methods and the comfort of mediocrity; mistakes that are characteristic of many managers who are unable to identify themselves with the objectives. They explain everything by ‘objective’ difficulties and they always look for excuses for why a given task cannot be solved instead of pondering how they can mobilize every reserve for the solution of the problem, using purposeful information and education of the employees. Another problem is that some of the managers narrow-mindedly deal with their small fields only and they don’t have an overview of the whole production process. Because of this, the individual plants often only shift the responsibility for the delay to each other.<sup>151</sup>



Since the consultation with the party organs was chiefly limited to the repetition of the same phrases, it is at best doubtful how it helped Gallerach in his fight to introduce the principles of the new economic management into the factory.

The above, 'friendly' reprimand was already a sign of the declining authority of the managing director, which was further undermined by the failure of the enterprise to execute a project for delivery to the Soviet Union by the deadline. The affair forced Gallerach to give a self-critical speech in front of the district party leadership:

We have done significant damage to the Soviet Union because we could not find a satisfactory solution to the problem of the E-system. The GDR has always distinguished itself as a reliable partner of the Soviet Union. Our behaviour undermined this confidence, seriously threatening the reputation of the VEB Carl Zeiss Jena in the Soviet Union. We have to admit that we underestimated the difficulty of the task, we badly managed the project, and we failed to mobilize the resources of the VEB Carl Zeiss Jena in order to solve this problem.<sup>152</sup>

Gallerach and the first secretary of the factory party organization established a routine of diplomatically reporting bad news because the enterprise, as had already been predicted, failed to fulfil its 1970 plan:

Even though the base organizations have their own action plans, in many places we lack clear analysis and a fighting spirit. We decided to fulfil the tasks by the end of the year. Meanwhile it clearly turned out that we cannot meet the export targets and cut production costs. The managers explain many problems through external factors and they talk much less of the tasks that need to be solved within the enterprise such as shift work, the improvement of labour productivity, etc. The common battle programme of the IKL<sup>153</sup> and the top management helped us to achieve good results in the plants where the managers themselves took the lead and they honestly informed the employees of our real situation. Despite the measures we introduced, we could not, however, fulfil 50 per cent of the annual plan in every field. We achieved 49.8 per cent in industrial production, 40.7 per cent in export, and the general enterprise result was 42.3 per cent. The export arrears amounted to 38.3 million Marks.<sup>154</sup>

The national leadership was concerned about Zeiss's poor performance. A report at the end of the year expressed even stronger criticism than before, blaming the entire management of the enterprise for the repeated failures. It is also remarkable that the report stressed the responsibility of the top personnel, particularly when we take into account the fact that Gallerach's mission was to reform the management of the enterprise according to the principles of the NES:

The export plan was not fulfilled mainly because of the mistakes of management. These mistakes are the following: deficiencies in the professional qualifications of management, and their Marxist–Leninist organizational work; failure to realize democratic centralism; chaos in management, lax discipline, a lenient, and sometimes careless working style; formalism in the management of the socialist labour competition. Efforts to improve labour organization have not yet ensured continuous production. It takes too much time to solve problems, even with the help of electronic data processing. The result is that production stoppages alone caused losses of 50 million Marks in the instrument plant. Why? The reasons are that they could not set the technical parameters that were negotiated with the Soviet partner; the central plants did not allow for sufficient capacity; there was not enough cooperation between the producers of the various optical components; we could not solve the material supply problems; the prefabricating and mounting plants performed very poorly (they under-fulfilled the plan by 550,000 hours). The labour plan was likewise not realized.

In respect of the workers, it was reported that the construction at Göschwitz and automation significantly improved working conditions, but despite that, some of the workers – mainly women – refused to work more shifts, ‘which can be explained by objective reasons: there are not enough nurseries and kindergartens. Today we keep a record of 492 applications from women who would be willing to take up their work again in the enterprise if they could solve their child-care problems.’<sup>155</sup> The aspects of class struggle were not, however, forgotten even in this critical situation: the report stressed that all information was collected about the representation of the ‘West German pseudo-enterprise’ Oberkochen at the Bucharest international fair.<sup>156</sup>

Despite the enterprise’s difficult situation, Gallerach might have received one more chance to ‘prove himself worthy’ of the trust of the central party leadership, had it not been for the weakening of Ulbricht’s position, which strengthened the political attacks against him. At the beginning of 1971 the first secretary of the factory party organization sent a personal letter to the district party secretary, in which he criticized the political work of the managing director:

Today we have to face a number of ideological problems. In my judgement, the managers and colleagues of the departments of research, development and foreign trade even today do not understand that what we need here primarily is achievement and efficiency. The elections especially showed us that the employees do not have the fundamental information to engage with economic plans, and management were therefore unable to ensure that the VEB Carl Zeiss met the higher expectations that followed from the policy of the party.<sup>157</sup>

The district party secretary finished a speech he gave to the rest of the local party leadership in similar terms: 'we have a number of base organizations, which are busy with production tasks only, while they forget about their actual task, the political leadership of the people'.<sup>158</sup> This – at least in the light of the criticism that the chief manager received from the central party leadership<sup>159</sup> – could have been addressed to Gallerach as well.

The economic results of the enterprise were not better in 1971 than in the year before, so the first secretary of the IKL did not need to ponder much over his report:

Despite this positive development, we think that the factory – under the present conditions of efficiency and production capacity – cannot satisfy the demands of the people's economy of the GDR for scientific instruments. We simply cannot meet the demands of the country as stipulated by the party for the period between 1971 and 1974, despite the fact that we have increased production of industrial goods because we have to make up export arrears and have to fulfil our earlier obligations. Our big problem is labour shortage: in 1971 we need 1,708 full-time employees, mainly skilled workers and college graduates. The secretariat does everything in order to mobilize every reserve in the neighbourhood, to win over new people and to decrease the present 4 per cent of fluctuation to 2 per cent. In addition, we are trying to make settling in the city attractive for the newcomers. We would like the city council to open more nurseries and kindergartens so that the VEB Carl Zeiss can fully exploit the local workforce.<sup>160</sup>

Gallerach's eventual removal was decided at a higher political level than the local party leadership because the enterprise belonged to the central administration of state industry. At the beginning of 1970 the Central Committee sent a commission to investigate the situation of the enterprise. Their report strongly criticized the managing director and it stated that the VEB Carl Zeiss Jena failed to fulfil its obligations to the party and the government, which vested the enterprise with tremendous responsibility.<sup>161</sup> Linguistic creativity was not one of the strengths of East German party jargon; the charge that economic tasks took precedence over political work was part of the rhetoric of the generalized attack against the reformers. It is worth adding that in this respect the criticism of the district first secretary that he stated in public – namely, that several party organizations 'neglected' the political education of employees – clearly showed the conflicts within the party, because no other negative phenomena in party life was ever mentioned in his later speeches.

Despite the fact that when we compare Gallerach's statements with the situation in Hungary, one may harbour doubts as to his liberalism, his deeds often seem to contradict the military rhetoric, which shows that

the reform era in the GDR was characterized by tension. Firstly, it is remarkable that despite the repeated failures, criticisms and self-criticisms, there was no change in the people managing, neither were such proposals ever made in writing: the party organizations aimed to ‘re-educate’ the managers who lacked the necessary combative spirit, rather than remove them. When the enterprise disappointed even its Soviet client, Gallerach admitted the failure in a self-critical speech, but the affair had no serious long-term consequences – the managing director was dismissed after Ulbricht’s resignation and not because of his professional mistakes. A similar point of tension could be seen in the complaint that the January results of the socialist labour competition were published in June only; if something like this could have happened under strict party discipline, then we have to assume that this discipline was not that strict at all. While the rhetoric of the party did not spare the management, the workers received totally different treatment: no one blamed them for a shortfall in production – on the contrary, the factory party organization took their side, increasing workers’ wages at a time when the Zeiss factory was at its least successful in fulfilling the plan. If we compare this with the fact that the reform had been originally launched with a wage freeze, we have to conclude that the party was forced to give significant material concessions to workers.<sup>162</sup>

The reform era can therefore be regarded as a period of experimentation. Even though we cannot speak of political liberalization, it is remarkable that discontent among the workers – and sometimes even the rather negative criticism of actually existing socialism – was sincerely reported to higher bodies. The question of ‘what do we get out of socialism?’ and the comments regarding the formal role of the workers in enterprise management (the lack of information about production plans and plan-related tasks) were, at any rate, not linked to the economic reform, and they revealed that there was more substantial and deep-rooted criticism of state socialism among the workers, than a concentration on their anger at shortages might suggest. It remains, of course, a theoretical question how far the reform – had it been continued – would have addressed these criticisms, or how far it would have engaged workers in decision making. It was, at any rate, a merit of the reform era – particularly when compared to the ‘consolidated’ Honecker regime – that these questions at least emerged, and there was a kind of dialogue between the party and the working class.

### *Planning the Impossible? An Investigation in the Instrument Plant*

While the above part of this chapter examined the effects of reform on the factory management, this next part is an attempt to examine working-class attitudes during the period, using the minute books of an investiga-

tion conducted in the instrument plant. It has to be admitted that there is not much information about the everyday lives of workers in the party documents of the period: the materials of the *Konfliktkommission*<sup>163</sup> have been lost and letters of complaint<sup>164</sup> that survived in large numbers mainly addressed the housing problem of the employees or the latter asking the managing director to alleviate their unbearable living conditions. A large number of factory party organization documents are simply statistical reports; from the 1970s onwards, these materials were not even transferred to the provincial archive.

The surviving minute books of the 1969 investigation constitute a unique set of sources because, in complete contrast to other party materials from the period, they speak of the problems of the relationship between the party and the workers. The investigation was conducted by a commission that the party appointed to examine the situation in the instrument plant, which produced strikingly bad results. The managing director also criticized the poor performance of this plant in a speech in front of the factory party leadership.<sup>165</sup> The members of the commission visited several departments and they talked with many people in different positions, from managers to workers. The minute books obviously give no information about the conditions in which the conversations were held; it is, however, remarkable that workers and grass-roots party members furiously criticized their managers, whom they charged with incompetence and even with the deception of their superiors. It is interesting that, by comparison, contemporary party documents from Győr-Sopron county reported that the workers were afraid to criticize managers because they thought that the party could not protect even those who made justified criticism from managerial retribution. According to the minute books, workers in the instrument plant were not afraid to criticize their superiors and the deficiencies that they experienced in terms of the organization of labour – this was all the more remarkable because their criticism was targeted at precisely that system which tolerated such absurdities in the production. The inquiry in the turners' shop, for instance, concluded: 'The workers think that it is impossible to work properly under these conditions. The instructions are being changed from one day to the next, and they often completely contradict each other. The plan tasks do not at all correspond to the regular norms, which are always changed.'<sup>166</sup> Workers in the turners' shop had a low opinion of their party leaders:

The APO-leaders<sup>167</sup> and the party groups summon people to regular meetings where they say nice things to us, but nothing happens afterwards. Nobody feels the fighting atmosphere that they speak so much about. Neither are the meetings of the party groups of a particularly high standard. At these meetings

officials and the state leaders speak only, workers never make any comments. The reasons lie in the fact that many comrades think here that nothing will change, everything will stay the same.<sup>168</sup>

What makes the comments especially interesting is that the workers told them to members of a commission that was created by the party. In East German party documents we hardly meet any sign of open criticism: such open formulations of the differences between officials and workers were unthinkable under the Honecker regime. The contrast between ideological language and the social experience of workers often resulted in intentional or accidental irony: the phrase – ‘the reasons lie in the fact’ – was one of the favourite expressions in party documents. A similar contrast can be found in some of Gallerach’s statements: while he complained that there was no discipline in the instrument plant and the managers did what they wanted,<sup>169</sup> here it was the workers who revealed that the ideology of the regime had no basis on reality, and that the party meetings were no place for workers to express their opinions. If, however, this criticism was voiced at all in the presence of a party commission, we, nevertheless, have to assume that ideological discipline loosened during the reform era.

This argument is strengthened by the fact that the investigation detected several other ‘ideological deficiencies’, which reveal much of the tense relationship between the party and the workers, including the practice of simply thrusting party membership involuntarily on workers. They reported:

We can experience serious ideological deficiencies in many respects; for example, we have permanent disputes with many comrades over the payment of party dues. Let’s take, for instance, the case of comrade X, who has been employed as a turner in Zeiss for over a year. Already in January it turned out that he paid only 2.5 Marks instead of 11.85. In this month he should pay 17 Marks. The comrades tried to appeal to his better nature every day. In the beginning, he wanted to pay 3 Marks only and now he maintains he won’t pay a penny. Even though he joined the party, he is free to terminate his membership whenever he wants to.<sup>170</sup>

Here we can also detect some – probably unintentional – irony, because people usually represented certain opinions in party documents. Much is revealed about ideological discipline by the fact that the worker did not budge on the question of paying party dues, despite daily exhortations to do so, and he even spoke of his intention to resign from the party. If the party group still considered it necessary to stress how much they invested in persuading comrade X (who had not paid the full party dues at the beginning of his membership), then it seems that the party had a greater need for workers than workers had for the party.

Workers' criticism of management was not only – or not primarily – targeted at the general lack of interest of the managers in workers' opinions, but workers directly addressed the perceived professional incompetence of their superiors. Turners, for example, argued that management had bought two turner's lathes, which had very high outputs, without asking the turners' shop if these machines could be used: 'One of the machines has been at a standstill ever since in the hardening shop, which is frequently discussed among the workers. They don't understand whether the management is completely incompetent or whether it is outright sabotage.'<sup>171</sup> One member of the party leadership of the base organization, who worked in the mill shop, commented that the machine cost a lot of hard currency, which was wasted, and because of the increased time spent with maintenance and production stoppages, the norms changed, too. He frequently criticized the managers for disregarding workers' opinions, and he even analysed the machines in his shop in support of his criticism.<sup>172</sup> Of course, it cannot be determined in retrospect how much the workers shared the opinion of the party leader, but he did have some support, as was shown by the results of the investigation in the other plants that there were problems with labour organization and the supply of material: 'There are always breaks in production because there is not enough material, chiefly casting, and they cannot arrange for the right piece on the machine at the right time.' While opponents of reform criticized managers for neglecting party work because they were allegedly too busy with economic tasks, the workers, on the contrary, thought their leaders were occupied too much with ideological work that they regarded as unproductive: 'People complain everywhere that leading officials, including the leaders of every social organization, can hardly be seen on the shop floor.'<sup>173</sup> Even though such criticism mitigated the social difference between worker and official, it revealed that the workers did not hold ideological work to be work at all.<sup>174</sup>

The situation of the East German managers, on whom political pressure was much higher than the workers, cannot be called enviable. According to the minute books, one economist (who was a member of the party) of the instrument plant apparently suffered from nerves, and while he talked with the members of the commission he could not hold back his tears. His testimony revealed that managers overlooked several irregularities in order to appease the workers:

They do not keep 33 per cent of the technological working plans, and the norms are changed on 25 per cent of the wage sheets. In the grinding shop they keep to the official norms in three cases out of one hundred. The result is that the wages are rocketing, there are workers who bring home 1,400 Marks.

In the distribution department, they do not keep to 15 per cent of the official norms. The colleagues represent the opinion that an economist who comes from outside cannot understand their calculations, because he does not know their work. This is unambiguously an ideological problem. In this respect, comrade Z commented that this department is a state within the state.

At the same time the economist confirmed workers' statements that there were not enough professionals among the middle management:

They don't keep to the deadlines to deliver orders and fulfil contracts, and neither can they manage the supply of material properly. The instrument plant failed to solve the professional and political training of the middle management and therefore they are not in the position to be able to solve everyday tasks. Everything has to be decided from above, that's why everybody is overburdened at the top. My job is to patch up holes while new ones are created all the time.

In his testimony the economist also declared that 'the instrument plant has not fulfilled the plan for eight years and many colleagues doubt whether it is possible at all to meet their targets'. The management had given significant material concessions to the workers, for labour costs had just increased by 48 per cent.<sup>175</sup>

The conversation with the technical manager of the instrument plant fundamentally reinforced the information provided by the economist. The manager said that there was widespread scepticism among people. Workers did not understand why they had not fulfilled their plan for eight years running, despite constant overtime and weekend work. With respect to the rocketing wages, the manager commented that there were no concrete work plans in the grinding and mounting shops, and this explained high average wages. Direct production managers did not want conflict with the workers; consequently they always consented to informal wage rises. The technical manager added that the direct production managers did not have sufficient respect for the workers, because they frequently earned less than them.<sup>176</sup> He also complained about managers' workloads: according to his information every 'professional' manager spent at least 12 to 14 hours a day in the plant in order to cope with their daily tasks.<sup>177</sup> One member of the party leadership of the base organization mentioned concrete cases when direct production managers had not had the necessary qualifications, for example, in the grinding shop '35 per cent of the technological documents are false' and 'despite every instruction, the colleagues themselves write their own time sheets'.<sup>178</sup>

According to workers in the polishing workshop, the management acted hurriedly and inconsistently, and they kept on changing instructions.



The workers know that there are shortfalls in plan fulfilment, but they don't know of a common project, which would clearly tell everybody what they should do in order to work better. Therefore everybody wants only to finish his work as quickly as possible and they let the brigadier or the direct production manager do the calculations. The most important ideological obstacle is the extra shift, particularly because there are many women workers, who refuse to work in shifts because of their household duties. That's why we have no special programme for how the workshop can make up the shortfall.<sup>179</sup>

Furthermore, the brigadier of the brigade named after the 'Sixth Congress' did not attend party meetings, which the commission could not leave without comment: 'how can someone lead a brigade without party information?'<sup>180</sup> The brigadier listed the following problems in the workshop in his reply: 'poor supplies of materials; too much additional work; in the old times they produced for stores, which is not the case today; the brigade plan is too high; trainees without sufficient work experience were put on the job; the responsible managers come to the workshop only if they need extra shifts. All of these are factors that make it impossible for us to realize the plan.' In addition, the brigadier called attention to the fact that the 'Sixth Congress' brigade undertook eight hundred extra hours alongside the twelve hundred that they had already accomplished. He also spoke of his problems concerning party-work in the brigade: out of the eleven members of the brigade only two were members of the party, and when they asked three workers to be candidates, they refused, saying that party membership would mean too much extra work for them.<sup>181</sup> The investigation in the mill shop revealed similar phenomena: the workers complained that they could not work continuously because the components the plant had received were not of the right size, and the supply of material was inconsistent. According to the workers the managers underestimated the time needed for preparatory work; at the same time they naively revealed that they received higher pay themselves. Workers in the mill shop denounced the 'Sixth Congress' brigade as well: it turned out that they undertook weekend work instead of the second shift only because it was better paid by the enterprise. With respect to party life, the mill shop could not boast of better results than the 'Sixth Congress' brigade: their workers likewise did not hold regular party meetings. There were evidently more 'ideological problems': the meetings of the party leadership of the base organization were often not recorded and the campaign plan for the elections of 1969 was 'nowhere to be found'. According to the information of many grass-roots members the secretary of the base organization was hardly ever seen in the workshops: in the previous year he attended the mill shop only once even though he was invited many times to come.<sup>182</sup>

The employees criticized the results of the factory in other fields as well. Even though they worked a lot on the E-system, their effort did not bear fruit: 'The employees keep on asking whether their work makes sense if there is an ever-increasing deficit in respect of the plan.' The plant's technical manager laconically commented that Zeiss was promised fifty designers, who eventually did not come because the enterprise could not give them flats. The managers, he argued, could not be expected to maintain discipline if they did not have the means. He, for example, once cut the wages of three direct production managers because they did not fulfil the plan, but he refused to do it again because of his experiences with the Labour Court.<sup>183</sup> One party leader of the base organization of the plant also criticized bureaucracy; 'the contracts often travel 1 km between the various offices of the plant, and he knows of examples when contracts simply got lost during their trip. According to him, the various offices that are scattered around the area of the plant should be moved to one floor, which would already be an achievement.'<sup>184</sup>

The investigation also revealed that transferred goods had been falsely recorded in the accounts of the enterprise since 1959, and this practice was known to the entire party leadership of the plant. Thus, the goods were reported to be completed and transferred if little work or minor parts were missing that could have been completed before the 10th day of the following month. According to one of the managers, such manipulation was forgivable in every instrument plant. He explained the difficulties of production through the lack of technicians: while worldwide there were eight technicians to every one hundred workers, in the GDR there were only four per every hundred. In 1966, the plant only employed twenty technicians; by 1969 their number had increased by 70–80 per cent but there were still fifty designers missing, who did not come because of a lack of housing.<sup>185</sup> One member of the party leadership went as far as to argue that the political pressure from above forced the management of the plant into this manipulation:

The managers are expected to do everything and even more than they can in order to keep the red star burning. When we give our preliminary estimates for the plan, they frequently refuse to accept them and they demand 2–3 millions more. The managers have no choice but to consent to the plans even if the prerequisites are missing. According to comrade D the missing prerequisites are the responsibility of the central management. One example: the hardening shop was closed in the main plant half a year ago, while the new shop will open only now in the southern plant. The production of a number of plants, including the instrument plant, does, however, depend on the hardening shop and since we don't get the work pieces because the workshop is closed, we cannot complete our products. This is just one example out of many similar cases. According to comrade D this has nothing to do with planning; chaos is centrally organized and then the responsibility is shifted onto the individual plants.<sup>186</sup>

Another party leader evaluated the meetings of the party leadership similarly to the workers: ‘A lot of talk without much being decided. There is no point making comments, let alone criticize something, because the state leaders are always right. Nothing will change here, the party leadership readily agrees to everything that the manager of the plant decides.’<sup>187</sup> With respect to the relationship between the party and the factory it is worth quoting the summary of comrade W, who singled out the following problems in the plant:

Part of the workforce believes that socialism has been already realized and now people can have a rest, but they should get their rightful reward; *many colleagues work conscientiously because of their old loyalty to Zeiss, but not because of political consciousness or in the defence of a political standpoint on the basis of their class category*;<sup>188</sup> since the collective could not fulfil the plan for eight years, many of our colleagues have doubts about our economic policy – they think that the requirements are too high and it is impossible to fulfil the plan; many direct production managers are unfamiliar with the technical regulations and they can’t keep discipline (bad norms, rocketing wages, etc.).<sup>189</sup>

Many negative comments can be explained through bad economic results in the instrument plant, and it is likewise not surprising that while the workers blamed the management, the managers attempted to shift the responsibility onto the centre as far as they could. The conversations with people in indifferent positions did, however, reinforce the two central arguments of the chapter. The first argument is that the regime had a pronounced policy towards the workers, which manifested itself not only in ideology – there was, for instance, no attempt to shift the responsibility for failure onto workers – but the managers offered several material concessions to the workers, and they indeed overlooked ‘minor’ irregularities in wage calculation, which suggests that the bargaining position of the workers was not at all bad in the plant. Production stoppages, which were the consequence of raw material shortage, meant not only extra work but also extra money for workers, because they received good pay for weekend work. Because of shortages of technicians, managers undoubtedly needed the experienced skilled workers, and this probably explains why they overlooked the subversion of the official wage system. It can be argued that even though the workers could not participate meaningfully in the management of the plant, they were more successful in persuading the management to recognize their economic demands. That is why the factory gave workers a pay increase, even when the enterprise had very poor plan results.

The second argument is that the party was forced to give small political concessions to workers – despite militant rhetoric and inflexible dogmatism – where worker party members did not pay party dues, or regular

party meetings were not held. The Zeiss enterprise was, of course, not a 'typical' communist factory: it was argued that because of the special social policy of the enterprise the majority of workers had been disappointed with the nationalization of their factory. The investigation in the instrument plant suggests that much of the distrust (or outright antipathy) of the workers towards the party persisted, and the factory party organization had to beg workers to join the party. Yet one cannot place too much weight on this, for the Zeiss factory was never a communist stronghold. Party membership was not necessarily advantageous for workers, and as the Hungarian party secretary maintained, it was not an existential question for them.<sup>190</sup> Frequently voiced criticism that state leaders were not interested in workers' opinions, at any rate, revealed that there was a pronounced difference between the workers and officials – or at least the workers regarded this difference as pronounced. It is worth stressing that such criticism or rather, *any* kind of criticism of the party could be detected very rarely in the East German party documents, and indeed they disappeared entirely with the consolidation of the Honecker regime. If people were not afraid to make these comments in front of members of a party commission, then the party was more responsive to criticism during the reform era than it became later. This is supported not only by the surprisingly open statements of grass-roots party members, but also that of the party leaders. The comment that the managers were expected to keep the red star burning at any price did not really demonstrate that the party was respected. Often older Zeissianers identified themselves more with the factory than with abstract categories like the working class in the way that official propaganda promoted it. If leaders voiced such heretical thoughts, then it seems that some signs of liberalization appeared within the party during this period, and people started to believe that they could express their opinions even in the rigid climate of the GDR.

### *The End of the Experiment*

The over-ambitious taut plans of the last years of the reform undoubtedly increased shortages of consumer goods, and they deepened the divisions within the party. The opponents of reform referred not only to events in Czechoslovakia, but also to the mounting discontent of the population, which was reflected in information reports from the whole of the Gera district. In addition, the signs of liberalization within the party worried hardliners; at least the frequently repeated phrase that some party organizations and managers neglected the ideological leadership of collective and political work points in this direction. Workers' discontent was undoubtedly exploited to settle political differences, but the surprisingly

informative sources (as compared to those of the Honecker regime) suggest that during the period of economic experimentation the party indeed sought to widen the boundaries of officially permitted discourse, instead of relying exclusively on repression.

One reason why it is difficult to judge how open this discourse could be is that, in comparison with the Hungarian sources, in the GDR the party found it difficult to engage the ‘masses’ in a dialogue on any level at all. Frightened of the prospect of economic chaos, the East German leadership did not dare to take the risk of further experimentation while Ulbricht insisted on the full implementation of the NES. His resignation put an end to the East German reform attempt and – with Honecker’s takeover – the possibility of a meaningful social dialogue was closed off. In the light of the rigid ideological dogmatism that became increasingly characteristic of the party from the 1970s onwards (where the party leaders from year to year repeated the very same phrases – interspersed with the ‘compulsory’ quotations from Marxist classics), it is illuminating to recall a meeting of the district party leadership, which was held to consider resolutions from the Eighth Party Congress. The meeting was attended by Professor Kurt Hager, a member of the Politbüro. In his concluding speech the guest admitted the failure of the party’s economic policy, and he actually gave a critical evaluation of the situation that was in sharp contrast to the usual triumphalist reports that abounded in East German party materials. ‘We cannot provide the population with a regular supply of drinks, bakery products and various industrial goods such as electrical products, house wares, furniture, heaters, sewing machines, baby carriages, and table wares’, he admitted. He continued:

We cannot satisfy the demand for these articles. I won’t even mention the shoes now – the problem came up yesterday during a conversation and I think that you know much more about the topic in this district than I do. This means that the struggle that we continue in order to fulfil the plan targets for consumer goods’ industries and services, so that we can provide the population a continuous supply of consumer goods, is the fundamental and decisive question of our work today. We have to provide for the stable and continuous supply of people with basic food products, fruits, greengrocery, daily consumer goods, children’s clothes and spare parts; in short, we have to satisfy the needs of population, that is the main question and task that we have to face today. And, comrades, I consciously declare here, in front of the district party leadership, that the success of the Eighth Party Congress depends on how we can realize this task.

Despite his admission of increasing shortages of consumer goods, the professor made one more attempt to illustrate the advantages of decentraliza-

tion precisely using the example of shoes that he had already mentioned in his speech: 'In the Schäfer shoe factory of Erfurt, for instance, it is the responsibility of the management and the workers to decide what sort of shoes they produce and not that of the Ministry of Light Industry.' The rapid increase in consumption could not, however, be reconciled with Ulbricht's structural policy, which sought to increase investment first.

In the light of East German ideological discipline it is not surprising that no one spoke of the fall of the reform, or the resignation of Ulbricht – local sources carefully avoided these topics even later. In order to relax the mood, Professor Hager did, however, tell a story of one of his factory visits, which, even though it may be somewhat naïve ideologically, revealed that at that time the workers were very 'realistically' present in the policy of the party, while under the Honecker regime the 'working class' became only an abstract category of reference and a basis of legitimacy:

Comrades, I visited a micro-electronics factory six or eight weeks ago, where I stood in the place of one of the workers and my back started aching. I asked the workers how they can work in this horrible draught, and besides, there was an awful noise in the workshop. And today I learn from the conversation with the comrades that they could not yet solve the problem in the factory! But comrades, this is a very serious problem, here we are building a modern factory, and in this plant there are mainly women workers, who mostly have to sit – am I right? – and the poor creatures have to sit in this horrible draught and noise during the whole day. I ask you, comrades: are there no technologists and engineers in this plant, who could solve this problem? Do we have to wait for a quarter of a year, or even more until it can be arranged? Surely, one can find enough reasons or explanations but I think that if we have such modern factories, where labour productivity is 100 per cent or even higher, we should provide for normal living and working conditions for the employees so that they don't contract rheumatism for the rest of their lives and instead they'll feel comfortable in their workplace.<sup>191</sup>

The story could be of course conscious propaganda, but even then it is striking that the highest party leadership considered it necessary to demonstrate that they had the workers' welfare at heart, and besides, the idea of emancipation also received a pronounced role in the professor's narrative. The story in fact illustrates exactly the opposite of the view that the party was never interested in the welfare of the working class: even at the highest party forums the leaders felt it important to demonstrate that they were conscious of the difficulties of a working-class life, and they did not forget 'where they had come from'. They also had to demonstrate that the emancipation of the working class did not disappear from the political agenda of the party, which shows that the goals of the old labour movement still meant a living tradition for the party leaders of the 1960s.

With the consolidation of the Honecker regime it was not only criticism that disappeared from the sources, but any debate of the role of the workers did, too. It is, at any rate, difficult to judge how far the party would have been responsive to further criticism and how they would have addressed problems that went beyond the shortage of consumer goods. Since increased criticism within the party was characteristic of the last years of the NES, it is difficult to tell to what extent there was a real chance for a process of radical renewal within the party. The SED was even less willing to renounce repression than the Hungarian MSZMP; and democratization would have been a precondition of any attempt to reformulate the political relationship between the party and the working class. It is, of course, a question of to what extent democratization was a viable alternative under the given historical conditions. The Hungarian example shows that even if democratic socialism was not an option, the building of socialism with a 'more human face' was possible, even in a country which was economically and socially more backward than the GDR. By comparing the achievement of Kádár and Honecker, the latter received a more negative judgement from the East German workers I interviewed. In the context and political realities of the Cold War and political dependence on the Soviet Union, the Hungarian party leadership – and Kádár personally – succeeded in bringing Hungary closer to the 'West' than the industrially more developed East Germany. And this was precisely how the East German workers remembered the two countries.

### **1968 and the Working Class: The East German and Hungarian Experience**

The surviving East German and Hungarian documents do not enable a systematic comparison in every field – although a conscious attempt was made to reflect on the 'leniency' of the Hungarian party organizations, which the East German delegates criticized and the differences of a critical public that was still tolerated in the two countries. There were also important differences in the trajectories of the economic reform: the East German NES concentrated only on the reform of enterprise management and it sought to increase competition among state-owned enterprises, whereas the Hungarian reform-minded economists attempted to extend the private sector and they even considered a careful property reform. These differences determined the working-class reception of the reform in the two countries.

There were other, historically determined differences in the industrialization and working-class formation of the two countries. Innovation and the state support of research also ranked high among the Hungarian

reform plans. Rába financed an innovation centre and a technical library, which were both nationally renowned, and there were even plans to upgrade the technical college of Győr to a university. This plan was eventually not realized; neither can we compare the research financed by the Wagon Factory with the great research centre and educated personnel of Zeiss (and in Jena we can also find the famous Friedrich Schiller University). Pre-war Germany was famous for its science and research universities, which received generous state support. Ulbricht's plan to base the future welfare of the East German people on the export achievements of the strategic sectors, where the GDR was supposed to be a world-leading exporter, was therefore compatible with the German tradition of industrial development.

The relative economic backwardness of Hungary could be also observed in the survival of the specific group of 'worker-peasants', who lived in the villages and participated in both industrial and agricultural activities. This group, as we have seen earlier in the section '*Downgrading the Working Class?*', were held to be part of the peasantry in the eyes of the urban working class. The 'worker-peasants' were also regarded as less educated and less interested in working-class culture, community and party life than urban workers. The low- and mid-level functionaries also thought that the 'village people' were politically backward, and influenced by the church. In the rural areas of Győr-Sopron county, peasants were traditionally hostile to communists, and the forced collectivization of the 1950s only worsened this relationship. It is therefore important to stress that the political culture of the 'worker-peasants' significantly differed from that of the urban working class.

This first part of the book has sought to give a picture 'from below' of how workers responded to the economic reform in the two countries. In both cases we can speak of ambiguous working-class reactions to the party's attempt to increase economic efficiency and introduce more incentives into the system. The reform divided the party, and both sides – the orthodox communists and the reformers – felt it necessary to raise popular support. The fact that the party sought to initiate a social dialogue and extend the scope of a critical public is of great importance. With the closing of the reform era, as we will see in the next parts of the book, the party no longer felt a need of a social dialogue – until the political collapse of the regime when the working class refused to accept the party as a conversation partner. After the 1960s, there was effectively no more dialogue between the party and the working class. In the GDR the political repression that was characteristic of the Honecker regime until the end of the state prevented any dialogue between workers and party functionaries, whereas in Hungary the process of 'petit bourgeoisment',



which the party held to be the basis of the political compromise with the working class, increasingly constructed people as consumers and undermined the credibility of class ideology. Besides, the party leaders were themselves convinced that workers do not have a real need to have a say in politics; if they can earn extra money in the private sector, they would happily leave the important decisions to their leaders. The fact that in the 1960s critical working-class opinions were voiced in public forums should therefore be evaluated as an important result.

The social dialogue entailed the opportunity of bringing the party closer to the working class. Before discussing the results of this social dialogue, an attempt is made to compare the scale and content of working-class criticism in the GDR and Hungary. Workers in both countries went far in their criticism of the economic reform – certainly to the limit of the party's tolerance in the GDR where we can no longer meet such open criticism at public forums. The harsh criticism that was documented in the district was undoubtedly exploited by the hardliners, who opposed the economic reform. This partly explains the willingness of local party functionaries to report working-class criticism to the high party leadership. In the reform era the party leadership was more open to criticism than in Honecker's welfare dictatorship; furthermore, power relations and the relationship between the party and the working class was also more flexible.

The most important common characteristic of the two case studies is that the period of economic reform spoiled the 'established' political consensus, and even within the party there was a search for alternatives. As part of this political struggle, the party widened the social dialogue with the working class. Concerning the nature and content of working-class criticism of the economic reform, I single out three main similarities. Firstly, the working class widely responded to the dialogue that the party initiated: in the reform era workers accepted the party as a conversation partner and a respected political actor. It is important to stress that workers voiced remarkably open and harsh criticisms of the economic reform, which was implemented by the party in both countries, at public forums. This clearly shows that in the reform era the government took the social 'feedback' into consideration and the party took a sincere interest in the social dialogue with the working class.

In this period signs of 'liberalization' can also be observed in party life. This is obvious in the case of the GDR where the reform era was the last time when it was recognized in public that there were tensions in the relationship between the party and the working class. The report from Gera ('What do we get out of Socialism?') well reflects that party functionaries were conscious of the decrease of the party's appeal among the working

class, which influenced the politics of the party. In the light of the section '*Planning the Impossible?*', the simplified view that the GDR was nothing else but a 'totalitarian' police state should be, at any rate, revisited. Indeed, how far was terror and political control totalitarian when three workers of the 'Sixth Congress' brigade could refuse party candidacy (in spite of all agitation!), others did not pay party dues for months and managers openly told party functionaries that they were expected to keep the red star burning? These examples do not really demonstrate that party membership carried such a great prestige among workers and managers. In Hungary we find a similar complaint from party functionaries: that workers do not hold party membership to be an 'existential' issue for them. The comment that Zeiss managers 'work conscientiously because of their old loyalty to Zeiss, but not because of political consciousness or in the defence of a political standpoint on the basis of their class category', at any rate refutes the argument that the East German state had a 'totalitarian' control over its citizens. In the Hungarian case we could also observe a remarkably open criticism in party documents ('in many places workers feel that they only have the right to work'). While open criticism disappeared from the official documents in the GDR, in Hungary we can also document greater self-censorship in the 1970s as a result of the ideological triumph of the hardliners. This changed radically from the early 1980s onwards, when the political climate became increasingly unfavourable for the regime, and more and more people criticized the party and the politics of the government. In East Germany, political repression prevented a similar documentation of the loss of the appeal of the party, which seems to have surprised the party leaders of Gera district as well at the time of the political crisis of Honecker's regime.

The second common characteristic is the fact that workers addressed not only the social consequences of the economic reform that they held to be harmful for the working class (increasing inequalities between managerial and working-class wages) but also the existing contradictions of the socialist system. This criticism was, however, an essentially *left-wing* criticism of actually existing socialism; the purpose of the critics was the reform of a socialist system and not the restoration of capitalism. As I have documented above, workers in both countries criticized unjust managerial privileges and increasing social and material inequalities, which we can hardly interpret as longing for a capitalist regime, which produces not less but more inequalities. The documented working-class criticisms rather lead us to conclude that in this era workers were open to a democratic reform of socialism and that they believed in the possibility of the reform of the socialist system and the party (because they participated in the social dialogue in order to better the regime). In the reform era it was not only

the party that showed an openness to criticism but also workers declared themselves to be willing to accept the party as a conversation partner and a representative of their interests.

Thirdly, I list the most important common elements of the working-class criticism of the reform in the two countries. In both cases anti-reformist attitudes were manifest in working-class communities. East German workers protested against the economic incentives, which decreased average working-class wages; at the same time they also complained that other social strata (intellectuals, managers, self-employed) lived better under socialism than the working class. The Hungarian workers even more vehemently opposed the reform, which in their eyes benefited only the managers and the 'peasants'. Apart from this criticism, however, workers in both countries spoke of the formality of enterprise democracy and the actual powerlessness of the working class in the state-owned factories. In Hungary even trade union leaders criticized the weakness of the trade unions, and enterprise democracy was even discussed in the meeting of the executive committee of the county, where one report criticized that enterprise democracy depended on the management. In the GDR, party functionaries openly discussed that the party lost its appeal in certain social strata; further, we can also read such heretical statements in the minute books that working-class party members do not pay party dues (and their party organization overlooks it!) and the 'Sixth Congress' brigade only works overtime because they get extra money for it. In the reform era the East German party functionaries complained about the 'leniency' of party life (as the investigation discovered, the campaign plan for the elections of 1969 was 'nowhere to be found', and brigade leaders led their brigades without party information), and workers voiced their grievances more openly, even to functionaries. The statement that 'at these meetings officials and the state leaders speak only, workers never make any comments' indicates that the East German workers were as much critical of the 'working-class control' of the factories as the Hungarians.

We can, of course, also find differences between the two cases. The Hungarian reform sought to extend the private sector and their economists pressed for more radical market incentives than the East German reformers, who only intended to increase competition within the state sector. Therefore we can read abundant criticisms of the appearance of the new rich in the Hungarian documents, which shows that the Hungarian workers were more directly confronted with the increasing material inequalities than the East Germans. The increasing wealth of the 'worker-peasants' was also a frequent source of criticism in Hungary, along with the assumed political unreliability and cultural 'backwardness' of this group. The working class was never homogenous in Hungary; the

reform, however, sharpened existing differences between the urban and rural groups, and rendered urban workers envious of the extra income of the ‘peasantry’. The seeds of the ‘petit-bourgeois’ mentality had already penetrated the working class; or rather – and this is again an important difference between the two countries – for many Hungarian workers, especially those who were recruited from the landless, poor peasantry, this was the first time in their life when they could purchase durable consumer goods or move into flats which had bathrooms.

In spite of relative liberalization, the differences in the political climate of the two countries were manifest even in this period. In the GDR party discipline was more strictly observed and respected than in Hungary, even amidst the internal party debates. Zeiss failed to fulfil the plan for years; it caused great damage to the people’s economy; there were huge arrears in export performance; it disappointed the Soviet partner; and in the final years of the NES the factory only avoided bankruptcy thanks to significant state support. The party functionaries, however, felt it important to demonstrate their ideological watchfulness even in this critical situation. In the documented conflicts between Gallerach and the Zeiss managers both sides insisted that they acted in line with the party (*parteimäßig*), and the failure to comply with the Soviet plans forced Gallerach to exercise self-criticism in front of the district party leadership. It is characteristic of this over-politicized climate that even in a situation which was so critical for Zeiss, the party secretary of the district received the assurance that all information was collected about the representation of the ‘West German pseudo-enterprise’ Oberkochen at the Bucharest international fair. This is only one example, but the second chapter (‘Workers in the Welfare Dictatorships’) introduces several other documents to show how ideology penetrated other areas of life, which had nothing to do with politics, and even worse, could not be solved by the citation of Marxist phrases. In the GDR there were political taboos even in the reform era; it was unthinkable to criticize enterprise democracy and the trade unions in public party forums, and neither could the party elite be criticized. In Hungary at the same time people counted a large part of the *nomenklatura* among the new elite, whose extravagant lifestyle and ‘conspicuous’ consumption was widely criticized as we have seen in the section ‘*The Appearance of the New Rich*’. In the GDR the party had just started to experiment with the extension of a critical public. Popular responses – and of course, other factors, along with the hardening of the Soviet line and the suppression of the Prague Spring – were, however, not very favourable for a successful social dialogue. The reformists retreated, Ulbricht resigned from his post and the party never again dared initiate a social dialogue with the class in whose name it exercised political power.

The dialogue also ended in failure in the more liberal Hungary. Let us be more precise: the balance of the 1960s depends on what we consider 'achievement' in the situation of the working class. The party gave important material concessions to the working class in both countries. In the GDR there was an increase in working-class wages (this was a significant concession if we take into consideration that the reform started with a wage stop!). In Hungary the government committed itself to a similar wage policy: in order to raise popular support, and 'level' the differences between the income of the industrial working class and other social strata, which benefited from the economic reform, the government increased working-class wages. Even more importantly, the party in both countries committed itself to the standard-of-living policy. The end of the reform era demonstrates that the working class had political significance in both cases because the government could not afford to risk any further decrease of the party's appeal among the working class. The records of the investigation in the instrument plant reveal that workers were in an informal bargaining position in the GDR, too, and they could exert formidable pressure on the management for material concessions: the Zeiss management had to increase working-class wages in a period when the enterprise could not fulfil the plan for years and could hardly avoid bankruptcy! The state guaranteed a workplace to everybody, so how could the functionaries threaten a worker who refused to pay party dues or terminated his party membership? That he would be a worker for the rest of his life? The sources suggest that many workers consciously tried to keep a distance from the party, and it should be stressed again that the party membership was not an existential question to them. It can thus be assumed that party membership did not always carry prestige among the workers. In this aspect one can indeed doubt the efficiency of the omnipotent East German state, especially as, in Zeiss, workers remained loyal to 'their' factory. The massive repression under the Honecker regime, while silencing any criticism, effectively prevented a dialogue even amongst the grass-roots membership, thereby demonstrating the party's refusal (and inability) to change.

Was the working class triumphant in this social dialogue? The balance is at best ambiguous. In the GDR the party retreated from the reform; and in Hungary there was a partial retreat, while the reform-minded economists abandoned more radical concepts of property reform. The government in both countries sought to win over the working class with a standard-of-living policy: working-class wages were increased and there was also a revival of certain elements of the old social democratic programme: housing construction, the support of working-class culture and education and community life (socialist brigades). The material conces-

sions, however, only partially satisfied working-class demands. The social dialogue of the 1960s brought to the surface far-reaching social changes. The downgrading of the working class was an issue that had to be addressed, along with the question of how technical development – and in the Hungarian case, the extension of the private sector – would change the social role of the industrial working class. In the reform era these questions were discussed in front of a critical public.

In this respect, the closing of the social dialogue was a defeat both for the party and the industrial working class. The triumph of the hardliners meant the narrowing of a critical public and the canonization of official socialism as the hegemonic form of left-wing discourse in the East European countries. This effectively blocked the possibility of a dialogue between the party and the working class. In Hungary, for example, the ethnographic study of Miklós Haraszti did not go beyond the working-class criticism that could be documented in Rába in the 1960s: the author argued that workers were conscious of the lack of working-class control, and on their part, they attempted to cheat the managers in order to receive ‘fair’ wages. The show trial against the author indicated the end of the party’s tolerance: the party leaders were more worried that a left-wing criticism would undermine the compromise embedded in the welfare dictatorships than they opposed market reforms. The disappearance of left-wing alternatives from the public rendered it impossible to find a new social message which was more in line with social reality. Besides, political repression silenced those who could come up with an alternative. The best examples are the East German information reports, which repeated the same slogans over the years as if the authors had been afraid that even a new wording could lead to trouble. Official socialism therefore became a hopelessly old-fashioned and outdated ideology, in which few people believed (including party functionaries), regardless of how frequently they cited Marx and Lenin. Not even in the more liberal Hungary did the regime tolerate the propagation of any leftism other than the official legitimizing ideology.

It can therefore be argued that the government’s answer to the social criticism of the reform era (increasing consumption and refusal to address political demands) had, in the long run, contradictory results. While there were no working-class protests in Hungary, as in Poland, people recognized the increasing gap between the ideology of the party and social reality. Having failed to realize its egalitarian social programme, the system failed to represent convincingly the superiority of human values over materialism. Propaganda stressed the better quality of life under socialism, but was unable to tell people how they might experience this better quality of life. With the expansion of the market, the state could

not control the income of significant social groups, and in the light of the new differences the creation of an egalitarian society seemed illusory. Like the mechanic who was angered by everything he read in the newspapers, people increasingly chose to disbelieve everything that the party said.

The retreat from the reform and the ideological victory of the hard-liners therefore ended an era in both countries. The party based its legitimacy on the welfare dictatorships, which are discussed in detail in the forthcoming parts of the book, and it refused to change the established power structure. With the exclusion of left-wing alternatives from the public, the party no longer sought for a dialogue with the working class. In this sense the end of the regime's social dialogue with the working class can indeed be considered symbolic.

## Notes

1. In 1952 the former structure of provinces (Länder) was dissolved, and instead of them, districts were formed. Jena belonged to the district of Gera.
2. Thüringisches Staatsarchiv (ThStA) Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/9/1/550, Material zur Einschätzung der politischen-ideologischen Situation unter der Bevölkerung des Bezirkes Gera, 2 August 1968.
3. Stress is mine.
4. Material zur Einschätzung der politischen-ideologischen Situation unter der Bevölkerung des Bezirkes Gera, op. cit.
5. Even though the Hungarian reform of enterprise management has much in common with the GDR reform, there is very little contemporary literature on the NES, which shows that the ideological discipline effectively prevented communication within the socialist camp. After Ulbricht's fall the GDR sources do not even mention the reform. For literature on the NES see: M. Keren. 1978. 'The Rise and Fall of the New Economic System', in L.H. Legters (ed.), *The German Democratic Republic: A Developed Socialist Society*, Boulder, CO: Westview Press; G. Leptin. 1968. 'Das "Neue ökonomische System" Mitteldeutschlands' in K.C. Thalheim and H.H. Höhmann (eds), *Wirtschaftsreformen in Osteuropa*, Cologne: Verl. Wissenschaft und Politik; A. Steiner. 1990. 'Abkehr vom NÖS. Die wirtschaftlichen Entscheidungen 1967/68 – Ausgangspunkt der Krisenprozesse 1969/70?', in J. Cerny (ed.), *Brüche, Krisen, Wendepunkte: Neubefragungen von DDR-Geschichte*, Leipzig: Urania-Verl; A. Steiner. 1999. *Die DDR- Wirtschaftsreform der sechziger Jahre: Konflikt zwischen Effizienz- und Machtkalkül*, Berlin: Akademie Verlag. In Hungarian see: G. Manz. 1965. 'Tapasztalatok a népgazdasági tervezés és irányítás új rendszeréről az NDK-ban', *Közgazdasági Szemle* 12(2); F. Fejtő. 1991. *A népi demokráciák története*, 2. vol. Budapest: Magvető. On the 1960s in the GDR, see also H.G. Haupt (ed). 2004. *Aufbruch in die Zukunft: die 1960er Jahre zwischen Planungseuphorie und kulturellem Wandel: DDR, ČSSR und Bundesrepublik Deutschland im Vergleich*, Weilerswist: Velbrück-Wissenschaft.
6. On the impact of the Liberman discussion in the GDR see: Leptin: 'Das "Neue ökonomische System"'.
7. The criticism of the Stalinist economy appeared also in the GDR prior to Liberman. In 1957 Behrens and Benary published two articles in the journal *Wirtschaftswissenschaft* in which they argued that the product-money relations should be more fully exploited and the value principle should be given a greater role. At that time, however, both authors were forced to practise self-criticism and revise their theses. The affair is introduced in Leptin, 'Das "Neue ökonomische System"', 113–15.

8. Statistisches Jahrbuch der Deutschen Demokratischen Republik 1958 (Ost-Berlin, 1959), 272; Statistisches Jahrbuch der Deutschen Demokratischen Republik 1960/61 (Ost-Berlin, 1961), 302; Statistisches Jahrbuch der Deutschen Demokratischen Republik 1962 (Ost-Berlin, 1962), 282. Cited in Leptin: 'Das "Neue ökonomische System"', 112.
9. Schweitzer described a similar enterprise structure in Hungary without referring to the GDR experiences (Schweitzer, *A vállalatnagyság*).
10. Keren, 'The Rise and Fall of the New Economic System', 64–65.
11. There was even a talk of the 'red economic miracle'. Keren, 'The Rise and Fall of the New Economic System', 70.
12. From the 1968 second edition of Ulbricht's works a whole section was removed which contained the term self-regulation because it was considered too capitalist.
13. Hübner argues that in the defence of the Berlin wall, the party was more determined to resist the wage demands of the workers: they wanted to increase labour productivity without increasing the wages. The economic incentives however, enabled greater wage differentials, and the managers often had to fulfil the workers' demands (premiums, lower norms) if they wanted them to fulfil the plan. In 1967 the state made significant concessions to the lower-income groups: the minimal wage was increased from 220 to 300 marks. So the ratio between the minimal and average wages decreased from 1: 2.8 (1964) to 1: 2.2. See: Hübner, *Konszens, Konflikt*, 86–88.
14. On Hungary's new economic mechanism see: T. Bauer. 1975. 'A vállalatok ellentmondásos helyzete az új mechanizmusban', *Közgazdasági Szemle* 22(6); R. Nyers. 1968. *Gazdaságpolitikánk és a gazdasági mechanizmus reformja*, Budapest: Kossuth Kiadó; J.R. Pappné and L. Tüü. 1968. 'A kis-és középüzemek szerepéről', *Gazdaság* 2(2); I. Schweitzer, *A vállalatnagyság*; A. Bródy. 1983. 'A gazdasági mechanizmus bírálatának három hulláma', *Közgazdasági Szemle*, 30(7–8); T.I. Berend. 1990. *Hungarian Economic Reforms 1953–1988*, Cambridge: Cambridge University Press; Swain, *Hungary*.
15. J. Kornai. 1957. *A gazdasági vezetés túlzott központosítása*, Budapest: Közgazdasági és Jogi Könykiadó. For his famous criticism of the socialist economy see: J. Kornai. 1980. *A hiány*, Budapest: Közgazdasági és Jogi Könykiadó.
16. 'Jelenlegi gazdaságirányításunk kritikája', in: Az MSZMP Központi Bizottságának kiinduló irányelvei a gazdaságirányítási rendszer reformjára (18–20 November 1965). *A Magyar Szocialista Munkáspárt határozatai és dokumentumai 1963–1966*. 1978. Budapest: Kossuth Könyvkiadó, 237–47. For a similar criticism see: O. Šik. 1967. *Plan and Market under Socialism*, White Plains, NY: International Arts and Sciences Press. Šik described the interest trap of the command economy as an input–output game. The centre demanded the production of maximal output with the smallest possible input. The enterprise tried to get maximal investment and promised minimal output in exchange so that it could over-fulfil the plan and receive governmental awards and premiums.
17. 'Jelenlegi gazdaságirányításunk kritikája', 242. Stress is mine.
18. *Ibid.*, 243.
19. *Ibid.*, 318.
20. I. Schweitzer, *A vállalatnagyság*, 39–47.
21. *Ibid.*, 47–54.
22. For a discussion of the relation between the giant enterprises and the central bodies see: Szalai, *Gazdasági mechanizmus*; É. Voszka. 1988. *Reform és átszervezés a 80-as években*. Budapest: Közgazdasági és Jogi Könyvkiadó.
23. E. Szalai, *Gazdasági mechanizmus*.
24. On the second economy see: Gábor, *A "második" gazdaság*. As opposed to sociologists, who thought that this private sector could be the 'training school' of real capitalism, the authors later pointed out that Hungary's second economy was subordinated to state-owned industry (namely, it received state orders). They were therefore sceptical about the prospects of the success of the second economy in a capitalist regime. Their thesis was verified after 1989; particularly in agriculture we can observe a sharp decline of small-scale farming.



25. The translation of the name of the factory is taken from the English summary of a book introducing the history of Rába (Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*)
26. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 1.vol., 29–30.
27. Information from an interview with the communication manager of the enterprise.
28. The jeep Rába-Botond developed in 1936–37 was an independent design of the factory.
29. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 154–55.
30. *Ibid.*, 156.
31. The total built-in area of the factory was 146,000 m<sup>2</sup>; buildings covering 45,000 m<sup>2</sup> were so badly damaged that they could not be restored. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 2. vol., 10.
32. 17 per cent of the total war damages was to the transport system, and the railway network suffered two thirds of the traffic damage. More than one third of the rails and 85 per cent of the combined bridges were destroyed. By the end of the war only around 10 per cent of the locomotives and 4 per cent of the carriages were in a usable state. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 9.
33. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 24–25.
34. The process was part of a central profile reorganization in the state industry. The car factory was independent only until 1952 when it was integrated into the Csepel Auto Factory. The Győr Screw Mill, the Foundry and the Industrial Tool Factory were also separated from the Wagon Factory. Ede Horváth was appointed chief manager of the Industrial Tool Factory. In 1953 another tool factory was also detached from the car factory. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 33.
35. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 44.
36. *Ibid.*, 61.
37. Ede Horváth (1924, Szombathely-1998, Győr) came from a working-class family. He finished his training as a turner in the Rába factory and he also started working there before the Second World War. After the war, he established his career as a Stakhanovite and in 1950 he received the Kossuth Prize for his results in quick cutting. In 1953 he was appointed the manager of the Industrial Tool Factory of Győr. Between 1963 and 1989 he was the chief manager of Rába MVG. In 1980 he received a state prize for his results in the central developmental programme of the vehicle industry. In 1986 he was made an honorary citizen of Győr.
38. The Wagon Factory was officially reunited with the Industrial Tool Factory on 1 January 1964, under the name of Wilhelm Pieck Vehicle Industrial Works.
39. Horváth, *Én volnék a Vörös Báró?*, 29–32.
40. The conflict also had another personal dimension because the wife of Lombos was the chief human resource manager of the Wagon Factory and Horváth attacked the first secretary of the county through his wife, who allegedly misused her leading position in the factory and triggered the strong disapproval of the workers with her improper behaviour. The case is described in: J. Tischler. 2005. 'A "Győri csata" – 1965"', *Beszélő* 10(5). Tischler, however, does not mention the economic reasons of the conflict.
41. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 106–9.
42. *Ibid.*, 109.
43. *Ibid.*, 99.
44. GYML, X. 415/3/23, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A Magyar Vagon-és Gépgyár vezérigazgatójának beszámolója a KB 1974. december 5.-i határozatáról a minőség, a takarékoság és a munkaerő-helyzetről 16, 1975. július 22.
45. The American export of Rába-axles started in 1974 with the Steiger company. In 1980 Rába signed a treaty with General Motors. In 1985 Rába had an export of \$90 million to capitalist countries, and out of this sum the American export amounted to \$54 million. Bossányi, 'Made in Rába', 35.

46. Bossányi, 'Made in Rába'; Bossányi, 'A versenyképesség stratégiája'; L. Horányi. 1976. 'Megalapozott teljesítménykövetelmények és a termelő kapacitás kihasználása (Beszélgetés a Magyar Vagon- és Gépgyárban)', *Társadalmi Szemle* 31(7).
47. Z. Tabiczky, *A Magyar Vagon- és Gépgyár története*, 76–84. There is also a photo documentation of the cultural and social institutions.
48. MSZMP was dissolved on 7 October 1989, at the last (14th) Party Congress.
49. GYML, X. 415/196/9, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Jegyzőkönyv a Motor Pártalapszervezet 1977. január 26.-i taggyűléséről, 4–5.
50. Forint (Ft) is the name of Hungarian currency.
51. Jegyzőkönyv a Motor Pártalapszervezet 1977. január 26.-i taggyűléséről, op. cit.
52. A munkásosztály helyzetéről szóló KB. és megyei pártszervek határozatai végrehajtásának főbb tapasztalatai, op. cit., 5. Stress is mine.
53. GYML, X. 415/122/6, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Jelentés a párttagság ideológiai nevelésének eredményeiről, problémáiról, a feladatokról, 8. 1972. augusztus 15.
54. GYML, X. 415/117/7, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A párt tömegkapcsolata, a pártszervezetek és tömegszervezetek, tömegmozgalmak politikai vitája, 7–8. 1971. augusztus 31.
55. The popular name of Rába MVG. It was established as the Hungarian Wagon and Machine Factory in 1896.
56. GYML, X. 415/122/5, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Összesítő jelentés a PB levelével és a KEB állásfoglalásával foglalkozó május havi taggyűlések főbb tapasztalatairól, 1972. június 6.
57. A párt tömegkapcsolata, a pártszervezetek és tömegszervezetek, tömegmozgalmak politikai vitája, op. cit., 9–10.
58. A munkásosztály helyzetéről szóló KB. és megyei pártszervek határozatai végrehajtásának főbb tapasztalatai, op. cit., 11–12.
59. GYML, X. 415/118/13, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Feljegyzés 'A párt tömegkapcsolata, a pártszervezetek és tömegszervezetek, tömegmozgalmak politikai vitája' című vita anyagáról, 3. 1971. december 8.
60. GYML, X. 415/121/2, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A kispolgári szemlélet és magatartás megnyilvánulásai, az ellenük való harc tapasztalatai és a további feladatok, 9-10. 1972. december 22.
61. GYML, X. 415/204/4/3, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Jegyzőkönyv a Vagongyári Párt V. B. üléséről. A vidékről bejáró dolgozóink helyzete. 1980. szeptember 12.
62. Jelentés a párttagság ideológiai nevelésének eredményeiről, problémáiról, a feladatokról, op. cit., 21.
63. GYML, X. 415/12/20, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Jelentés a megye társadalmi struktúrájának, az osztályviszonyok alakulásának helyzetéről, a változások fő irányáról, az ebből adódó politikai feladatokról. 3. sz. táblázat. A községi családok társadalmi rétegződése (1975. január 1.), 1977. július 19.
64. GYML, X. 415/118/13, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Az életszínvonalpolitikánk értelmezése a gépipari nagyüzemek párttagsága körében. 1976. április 27.
65. GYML, X. 415/12/20, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Havi összefoglaló jelentések a kül- és belpolitikai eseményekről, a lakosság hangulatáról. 1975. február 7.- 1976. január 7. 1975. január havi információs jelentés.
66. GYML, X. 415/528/13, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Jegyzőkönyv a Szerszámgépgyár Egység Pártalapszervezetének 1983. februári taggyűléséről, 8.

67. Jelentés a megye társadalmi struktúrájának, az osztályviszonyok alakulásának helyzetéről, a változások fő irányáról, az ebből adódó politikai feladatokról, op. cit.
68. GYML, X. 415/198/22, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Információs jelentés a Hátsóhid Gyáregységből, 1978. február.
69. On the commuters see: A. Bóhm and L. Pál. 1985. *Társadalmunk ingázói – az ingázók társadalma*. Budapest: Kossuth Kiadó; A. Bóhm and L. Pál. 1979. 'A bejáró munkások társadalmi-politikai magatartása', *Társadalmi Szemle* 34(10).
70. See: Kemény, *Velünk nevelkedett a gép*.
71. GYML, X. 415/134/1, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Az üzemi demokrácia helyzete, az egyszemélyi vezetés érvényesülése és a továbbfejlesztés feladatai, 8-9. 1974. március 29.
72. *Ibid.*, 5–6.
73. *Ibid.*, 15.
74. Jelentés a párttagság ideológiai nevelésének eredményeiről, problémáiról, a feladatokról, op. cit., 13.
75. GYML, X. 415/123/8, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A kispolgári szemlélet és magatartás elleni harc tapasztalatai, további feladatok, 6. 1972. október 24.
76. Jelentés a párttagság ideológiai nevelésének eredményeiről, problémáiról, a feladatokról, op. cit., 22–23.
77. *Ibid.*, 23.
78. A kispolgári szemlélet és magatartás elleni harc tapasztalatai, további feladatok, op. cit., 5.
79. *Ibid.*
80. *Ibid.*, 7.
81. *Ibid.*, 9.
82. *Ibid.*, 8.
83. GYML, X. 415/122/4, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Jelentés Győr városban a pártszervezeti fegyelem, a kommunista munkamorál, magatartás, életmód helyzetéről, 18–19. 1972. április 11.
84. A kispolgári szemlélet és magatartás elleni harc tapasztalatai, további feladatok, op. cit., 9.
85. *Ibid.*, 10.
86. A kispolgári szemlélet és magatartás megnyilvánulásai, az ellenük való harc tapasztalatai és a további feladatok, op. cit., 10.
87. GYML, X. 415/131/39, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Jelentés 'A kispolgárság és az ellene folyó harc feladatai' c. téma feldolgozásának tapasztalatairól, 2. 1973. április 6.
88. *Ibid.*, 3.
89. *Ibid.*, 4.
90. Havi összefoglaló jelentések a kül- és belpolitikai eseményekről, a lakosság hangulatáról, op. cit., 1975. július havi információs jelentés.
91. GYML, X. 415/132/54, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Információs jelentések a pártletréről, a lakosság hangulatáról, 1973. július havi információs jelentés Győr városából, 2.
92. *Ibid.*, 4.
93. GYML, X. 415/4/31, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A Győr városi V. B. jelentése az üzemi PB alapszervezeteket irányító tevékenységéről. 1975. november 26.
94. According to the report the passive members constitute 4–5 per cent of the total party membership that belongs under the party committee of Győr town (104 primary party organizations with 9,804 people).
95. Jelentés Győr városban a pártszervezeti fegyelem, a kommunista munkamorál, magatartás, életmód helyzetéről, op. cit., 19.

96. Jelentés a párttagság ideológiai nevelésének eredményeiről, problémáiról, a feladatokról, op. cit., Melléklet 1–5.
97. Ibid., 12.
98. GYML, X. 415/197/3, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Jegyzőkönyv a Vagongyári Párt V. B. üléséről. A munkásfiatalok között végzett nevelőmunka tapasztalatai és a további feladatok. 1978. szeptember 8.
99. GYML, X. 415/132/55, MSZMP Győr-Sopron Megyei Bizottsága. Apparátus iratai. Információs jelentések a pártéletéről, a lakosság hangulatáról, 1973. szeptember havi információs jelentés Győr városából.
100. GYML, X. 415/211/33, Magyar Szocialista Munkáspárt (MSZMP) Magyar Vagon-és Gépgyári Végrehajtó Bizottsága. Információs jelentés a Jármű II. Pártalapszervezettől, 1982. április.
101. GYML, X. 415/134/2, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. Jelentés Győr-Sopron megye munkássága helyzetéről a KB 1974. márciusi állásfoglalása alapján, 7. 1974. október 9.
102. Havi összefoglaló jelentések a kül- és belpolitikai eseményekről, a lakosság hangulatáról, op. cit., 1975. január havi információs jelentés. A pártélet eseményei.
103. The 9th Party Congress was held between 28 November and 3 December 1966.
104. Az üzemi demokrácia helyzete, az egyszemélyi vezetés érvényesülése és a továbbfejlesztés feladatai, op. cit., 23.
105. Jelentés Győr-Sopron megye munkássága helyzetéről a KB 1974. márciusi állásfoglalása alapján, op. cit., 5.
106. GYML, X. 415/156/1, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A munkahelyi demokrácia továbbfejlesztéséről hozott 1049. sz. MT-SZOT Elnökség együttes határozata beindításának és gyakorlati alkalmazásának 1983–84. évi tapasztalatai a Rába Magyar Vagon-és Gépgyár és a Győr megyei Állami Építőipari Vállalat területén. 1984. július 11.
107. Havi összefoglaló jelentések a kül- és belpolitikai eseményekről, a lakosság hangulatáról, op. cit., 1975. március havi információs jelentés. Stress is mine.
108. Szalai also argues that the individualization of the late Kádár period largely eroded working-class consciousness. Szalai, ‘Tulajdonviszonyok’.
109. The official justification of the decision stated that the standard of living of the workers of the state-owned industry had not kept pace with the general improvement. ‘Therefore the masses very much agree with the statement that when the standard of living of the people has been improving, it is not right that the workers of the state socialist industry lag behind.’ (Közlemény az MSZMP Központi Bizottsága üléséről 1972. November 14–15. In: *A Magyar Szocialista Munkáspárt határozatai és dokumentumai 1971–1975*, Budapest, 1978, 382.) On the execution of the resolution in Győr-Sopron county see GYML, X. 415/128/1, MSZMP Győr-Sopron Megyei Bizottsága. Pártbizottsági ülés jegyzőkönyve, napirendi anyagai. A bérfelvezetés és a különböző bérezési formák bevezetésének hatása a dolgozók helyzetére és a munkaerőmozgásra (a KB november 14–15-i határozata alapján), 1988. február 23.
110. For a similar argument see: E. Bartha. 2005. ‘The Disloyal “Ruling Class”: The Conflict between Ideology and Experience in Hungary’, in Hübner, *Arbeiter im Staatssozialismus*.
111. There is much literature on the history of the Zeiss factory, see e.g.: F. Auerbach. 1919. *Ernst Abbe: sein Leben und Wirken*, Leipzig: Akademische Verlag; F. Auerbach. 1925. *Das Zeisswerk und die Carl-Zeiss-Stiftung in Jena: ihre wissenschaftliche, technische und soziale Entwicklung und Bedeutung*, Jena: Fischer; M. Rohr. 1940. *Ernst Abbe*, Jena: Fischer; J. Pierstorff. 1905. *Ernst Abbe als Sozialpolitiker*, Munich: Allgemeine Zeitung; P.G. Esche. 1963. *Ernst Abbe*, Leipzig: Teubner; P.G. Esche. 1966. *Carl Zeiss: Leben und Werk*, Jena: Wartburg-Verl.; W. Schumann. 1962. *Carl Zeiss Jena, einst und jetzt*, Berlin: Rütten and Loening; H.A. William. 1967. *Carl Zeiss: 1816–1888*, Munich: Bruckmann; A. Hermann.

1992. *Carl Zeiss. Die abenteuerliche Geschichte einer deutschen Firma*, Munich: Piper; W. Mühlfriedel (ed.) 1996. *Carl Zeiss: Die Geschichte eines Unternehmens*, Weimar: Böhlau; K. Gerth. 2005. *Ernst Abbe: 1840–1905: Wissenschaftler, Unternehmer, Sozialreformer*, Jena: Bussert-Stadeler.
112. W. Mühlfriedel and E. Hellmuth. 2004. *Carl Zeiss in Jena 1945–1990*, Cologne: Weimar, Vienna: Böhlau, 8.
113. According to the London settlement, the Carl Zeiss JENA could use the trademark in almost every socialist country, in Syria, Kuwait and Lebanon. Zeiss Oberkochen could do the same in the member states of the European Community, with the exception of France, and in Austria and Greece. In several countries both companies were allowed to advertise and sell their products, with the exception of the former French colonies. Mühlfriedel, *Carl Zeiss*, 279.
114. *Ibid.* 115.
115. On the integration of the social policy see: Philipp Neumann. 2002. ‘Betriebliche Sozialpolitik im VEB Carl Zeiss Jena 1948 bis 1953’, M.A., Jena: Friedrich-Schiller-Universität.
116. Mühlfriedel, *Carl Zeiss*, 199.
117. Ulbricht held economic prognoses so important that he himself undertook the leadership of the working group created within the Political Committee, which dealt with long-term (15–20 year) strategic planning. For a discussion of the development of prognosis in Carl Zeiss see: Philipp Neumann. 2000. “... bisher nicht Gedachtes denken ...”: Zur Bedeutung der Prognostik im Neuen Ökonomischen System. Das Beispiel des VEB Carl Zeiss Jena’, manuscript, Jena: Friedrich-Schiller-Universität.
118. The Political Committee’s resolution of 26 April 1968 is quoted in: Mühlfriedel, *Carl Zeiss*, 206.
119. The first secretary visited the factory with his wife on 25 April 1968, on the occasion of the laying of the foundation stone of the building of 6/70. Mühlfriedel, *Carl Zeiss*, 205.
120. *Ibid.*, 235.
121. *Ibid.*, 44. Table, 375.
122. These schools gave a high-school leaving certificate as well as vocational training.
123. Mühlfriedel, *Carl Zeiss*, 222.
124. *40 Jahre in Volkes Hand: Aus der Chronik des Kombines VEB Carl Zeiss JENA, Teil I: 1948 bis 1970*. 1988. Jena: VEB Carl Zeiss, 91.
125. Mühlfriedel, *Carl Zeiss*, 204.
126. *Ibid.*, 187.
127. *Ibid.*, 186.
128. *Ibid.*, 214–15.
129. Unternehmensarchiv der Carl Zeiss Jena GmbH, Jena (UACZ), VA Nr. 1231, Geschäftsbericht des VEB Carl Zeiss JENA für das Jahr 1970, quoted in Mühlfriedel, *Carl Zeiss*, 215–16.
130. Wolfgang Biermann, who was the chief manager of Zeiss between 1975 and 1989, was also a member of the Central Committee of the SED (Sozialistische Einheitspartei Deutschlands, the name of the Communist Party in the GDR). Between 1965 and 1975, he was chief manager of the VEB ‘Oktober 7’ in Berlin, which produced large turner’s lathes. Biermann was 48 years old when he was appointed as the chief manager of Zeiss (Mühlfriedel, *Carl Zeiss*, 284).
131. *Ibid.*, 342–44.
132. The *Kombinat* encompassed every plant which joined Zeiss, although many of them retained their legal autonomy, for instance Jenaer Glaswerk, Feinmeß Dresden, Pentacon Dresden (Mühlfriedel, *Carl Zeiss*, 39. Table, 372).
133. VEB (Volkseigener Betrieb) state-owned enterprise.
134. Mühlfriedel, *Carl Zeiss*, 300.
135. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-4/13/079, Protokoll der IKL-Sitzung, 15. und 18. 8.1969.

136. *Gleichberechtigt. Die Entwicklung der Frauen und Mädchen im VEB Carl Zeiss Jena*. 1975. Weimar: VEB Carl Zeiss, 19.
137. UACZ, VA Nr. 1583, Rechenschaftsbericht der Direktor Kultur- und Sozialwesen, 3.3. 1976; also information from the interviews.
138. UACZ, VA Nr. 4722, Fallmeldung, 4.10.1989.
139. UACZ, VA Nr. 4743, 13.2.1990. According to the letter, he allegedly escaped to Munich.
140. See: Mühlfriedel, *Carl Zeiss*, 342–44. In the interviews the manager's image was likewise contradictory: while it was generally recognized that he had an autocratic leadership style, many workers held him to be a good patron, who fulfilled the justified demands (e.g. allocation of flats, transfer to other plants within the enterprise, etc.)
141. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/255, Informationsbericht des 1. Sekretärs der IKL (Industriekreisleitung) Zeiss, Tag des sozialistischen Leiters, 16 Oktober 1968.
142. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/255, Informationsbericht des 1. Sekretärs der IKL Zeiss, 12 November 1968.
143. Concerning the problems of management see: Hübner. 1999. 'Durch Planung zur Improvisation: Zur Geschichte des Leitungspersonals in der staatlichen Industrie der DDR', *Archiv für Sozialgeschichte* 39.
144. Electric data system.
145. ThStA Rudolstadt, Bezirksparteiarchiv der SED Gera, IV B-4/13/79, IKL-Sitzung, 15 and 18 August 1969.
146. Ibid.
147. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-4/13/79, Protokoll der IKL-Sitzung, 15 und 18 August 1969.
148. ThStA Rudolstadt, Bezirksparteiarchiv der SED Gera, IV B-2/3/269, Referat des ökonomischen Direktors des VEB Carl Zeiss Jena, 17 Januar 1969.
149. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/79, Protokoll der Sekretariatssitzung, Bericht der IKL VEB Carl Zeiss JENA über Probleme der politisch-ideologischen Arbeit und der Erziehung der Leiter bei der Gestaltung des ökonomischen Systems des Sozialismus als Ganzes, 30 Januar 1969.
150. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/84, Protokoll der Sekretariatssitzung, Bericht der IKL VEB Carl Zeiss JENA über Probleme der politisch-ideologischen Arbeit und der Erziehung der Leiter bei der Gestaltung des ökonomischen Systems des Sozialismus als Ganzes sowie Schlussfolgerungen für die Führungstätigkeit der IKL zur kontinuierlichen Erfüllung des Volkswirtschaftsplans 1969, 27 Februar 1969.
151. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/269, Informationsbericht des 1. Sekretärs der IKL Zeiss, 16 April 1970.
152. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/269, Kreisleitungssitzung, 22 Mai 1970.
153. IKL=Industriekreisleitung (the leadership of the party organization of the factory).
154. ThStA Rudolstadt, Bezirksparteiarchiv der SED Gera, IV B-2/3/150, Bericht des 1. Sekretärs der IKL Zeiss und des Generaldirektors des VEB Carl Zeiss über die Durchführung des Beschlusses des Politbüros vom 26.5.1970. zu Problemen des Planungs- und Leistungstätigkeit im Zusammenhang mit der Durchführung des Volkswirtschaftsplanes 1969/1970 im VEB Carl Zeiss, 1 Oktober 1970.
155. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/269, Informationsbericht des 1. Sekretärs der IKL Zeiss, 12 November 1970.
156. Ibid.
157. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/283, Persönlicher Brief des 1. Sekretärs der IKL/SED des VEB Carl Zeiss JENA an den 1. Sekretär der BL (Bezirksleitung), 17 Februar 1971.
158. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/1/19, Protokoll der Bezirksleitungssitzung, Auswertung der 15. Tagung des ZK der SED. 1 Februar 1971.

159. He was likewise criticized for his disregard of the leading role of the party and his negligence of political work. Unternehmensarchiv der Carl Zeiss Jena GmbH, Jena (UACZ), VA Nr. 1231, Geschäftsbericht des VEB Carl Zeiss JENA für das Jahr 1970, quoted in: Mühlfriedel, *Carl Zeiss*, 215–16.
160. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/3/283, Informationsbericht des 1. Sekretärs der IKL Zeiss, 10 März 1971.
161. Geschäftsbericht des VEB Carl Zeiss JENA für das Jahr 1970, op. cit.
162. On the wage policy of the GDR in the 1960s see: Hübner, *Konsens, Konflikt*, 77–88.
163. Commission that mediated labour conflicts in the GDR.
164. Correspondence between the authorities and ordinary citizens constitute a very interesting type of source that offers insights into the everyday life of people. See, for instance, the collection: I. Merkel (ed.). 2000. *Wir sind noch nicht die Meckerecke der Nation?: Briefe an das Fernsehen der DDR*, Berlin: Schwarzkopf and Schwarzkopf.
165. Protokoll der IKL-Sitzung, 15 und 18 August 1969, op. cit.
166. ThStA Rudolstadt, Bezirksparteiarchiv der SED Gera, IV B-4/13/79, Bericht, 19 September 1969.
167. Abteilungsparteiorganisation.
168. Bericht, APO-Leitung, 19 September 1969.
169. Protokoll der IKL-Sitzung, 15 und 18 August 1969, op. cit.
170. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-4/13/79, Bericht der IKPKK (Industriekreis-Partei kontrollkommission), GDREH 1, 19 September 1969.
171. Ibid., Bericht (GDREH 1, Y, Abteilungsleiter).
172. Ibid., Bericht (Gen. R. és Gen T. GO-Leitungsmitglieder).
173. Ibid., Bericht (APO-Leitung).
174. Many interview partners said that the workers considered the functionaries to be idlers whom they had to provide for.
175. Bericht der IKPKK (Gen. Z, Ökonom), op. cit.
176. The party organization of the Rába factory also criticized the low wages of the direct production managers in the beginning of the 1970s.
177. Bericht der IKPKK (K, technischer Leiter der GB), op. cit.
178. Ibid., Bericht (Gen. N, GO-Leitung).
179. Ibid., Bericht (Gen. Q, PO).
180. Ibid., Bericht (Gen. L, Brigadier).
181. Ibid.
182. Ibid., Bericht (GFRÄS1).
183. Ibid., Bericht (K, technischer Leiter der GB).
184. Ibid., Bericht (Gen. A, Mitglied der GO-Leitung).
185. Ibid., Bericht (Gen. W).
186. Ibid., Bericht (Gen. D).
187. Ibid., Bericht (Gen. H).
188. Stress is mine.
189. Bericht der IKPKK (Gen. W), op. cit. Welche Probleme sieht der Betriebsleiter?
190. The East German party statistics is similar to the Hungarian in that the proportion of the workers was the highest (65–70 per cent) among those who were excluded from the party or had terminated their membership.
191. ThStA, Rudolstadt, Bezirksparteiarchiv der SED Gera. Nr. IV B-2/1/20, Protokoll der Bezirksleitungssitzung, Die sich aus den Beschlüssen de VIII. Parteitages ergebenden Schlussfolgerungen für die Arbeit der Bezirksparteiorganisationen, 19 Juli 1971.