

The following is an excerpt from my book manuscript, *The Value of Labor. The Science of Work and the Work of Science (Hungary, 1920-1956)*. The theoretical aim of the manuscript is to demonstrate the necessity of interrogating formalizing practices themselves, such as mathematical formulae and accounting procedures, to explain how social sciences are imbricated in economic practices. The book chronicles the rise of business economics and agrarian work science in Hungary during the interwar period, its failure to win adherents in large-scale (manorial) agriculture, and its rebirth in the form of a “scientific wage system” designed for cooperative farms in the 1950s. Implementing the new socialist pay scale was extremely difficult, complicated by simple confusion over its purpose, resistance to state-mandated business plans, and the vagaries of the class war the party/state was waging in the countryside

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THE PROBLEM WITH MONEY

In the century following the abolition of serfdom in 1848, money was many things in Hungary: powerful, fertile, unreliable, fickle, destructive, and dangerous. Money was the source of many problems, and in some cases, their solution. For agrarian business economists, money had the power to transform the economy and rejuvenate work. Others acknowledged the power of money, but were reluctant to see its destructive force decimate the Hungarian nation. In short, the cultural sentiment of money in Hungary was a mixture of fascination and ambivalence. Complicating this already complex picture were the recurring difficulties the nation faced in maintaining a stable currency. Thus money was construed as a morally contradictory force, for some a technique or tool facilitating modernization, for others it was the root of evil. It is the purpose of this chapter to discuss a range of attitudes and variety of episodes surrounding money to illustrate this strange history.

Becoming a Means on the Road to Abstraction

In Simmel’s famous formulation, money is itself a means, the true cipher of the modern economy. To confuse it with its physical quality, or even with the valuable metals it represents (gold, silver) is to misunderstand its primary function. Marx described the misplaced concreteness money represented as its fetishization, i.e. seeing an object when in fact money was first and foremost a social relation. Both of these views inform the analysis of money to follow, although the manner in which I will deploy these ideas is meant to historicize the processes whereby money becomes a means, the ways that money

constitutes social relations over time, in varying conditions and contexts. While Marx and Simmel developed their insights into the strange phenomenon of money in the process of analyzing the changing social relations characterizing modern society, many of the specific features they describe in the mid- and late 19th c. had yet to accurately portray how money lived in Central Europe – even in their own territory – much less elsewhere around the globe. In Hungary, large segments of society had moral trepidations about the use of money well into the 20th c., though the reasons for this varied. In the decades following the abolition of serfdom in 1848, money was often thought to cut the bonds tying servants to masters, eroding habits of deference and authority necessary for civilized society. Aristocrats were well known to disdain handling money.¹ Their disdain extended to any association with business as well, a phenomenon complicated by anti-Semitism and Catholic sanctions against usury. This history is a familiar one, played out in other regions of Central and Eastern Europe. Among the ranks of agrarian socialists gaining ground in the 1890s, money epitomized the ruthless forces of dehumanizing exploitation imposed by capitalist relations of production. Yet voices advocating alternative conceptions also were raised. Money could be productive and useful. Money could entice workers to a job, which they would otherwise shun. Creating markets for Hungarian products would strengthen the economy, and improve the fortunes of farmers and workers. Of particular interest here is the manner in which agrarian business economists and work scientists – in their scientific activities, public advocacy, and alliance with the state – created the conditions under which their conceptualization of money as a tool in fact could be realized in practice.

As the history of modern monetary instruments tells us, creating and eventually stabilizing national money was a long and arduous process, which proceeded at a different pace in various regions dependent on far more than simply founding a national bank. The reliability of exchange using

¹ Aristocrats relied upon their inferiors to deal with their monetary affairs. A common tradition was to maintain what was called a “house Jew,” that is, an agent employed to see to monetary affairs. “Jews were engaged in running pubs, in commerce and in many places with raising money; one could say that almost every noble man and lord had a confidential relationship with a Jew with whom he did business” (*Magyar Gazdák Szemléje*, March 1896:15).

monetary instruments could wax and wane, as the fortunes of the national (or local government) shifted over time. National money was completely unreliable during inflationary spirals, economic crises and war. Therefore, institutionalizing a single and exclusive national money confronted obstacles far more substantial than the political and economic logistics of founding national banks and convincing citizens of its value. Hungary had its share of wars, revolutions, and economic crises. In the course of one generation, Hungarians experienced a war, the dissolution of an empire, the birth of a nation state, a brief socialist revolution, several years of inflation, a decade of economic depression, another war, and the greatest inflationary spiral in world history. In every instance, the ability to use money – as cash, as credit, and as capital – was compromised; time and again the ostensibly natural fungibility of money was frustrated. And when money could not move around easily, the ability to extract value – as profit or as state revenue – was seriously hampered. New currencies had to be created, more printed, monies recalibrated, and finally, as a last resort, abandoned, e.g. when taxes were collected in agricultural goods rather than in cash. In short, the possibility of measuring value was constantly frustrated, as the instrument for its execution was missing. In the absence of a reliable currency, it was hard to determine the value of objects and people on the open market. So despite the extensive effort devoted to figure out how to measure value – the value of labor in this case – the means to stabilize value, to “domesticate” it, to harness it scientifically were inadequate to the task. Another way of conceptualizing this is to say that money was about values, as much as about value. The destructive and erosive quality of money was an ever present issue, as was the attempt to assuage these concerns in the interest of making money a simple tool, a means toward another end. It is a testament to the conceptual power of money that the recurring problems Hungarians faced with fiscal instruments did not dissuade work scientists and agrarian business economists from believing that the best policy for modernizing labor organization and increasing labor productivity would be found in transforming abstract units of value determined by science into monetary wages. This confirms Simmel and Marx’s ideas about means and about fetishes,

since even in the absence of reliable money, the notion that money would be the savior of capitalist productivity still held sway. . . .

Emergency Currencies, Temporary Cash, Alternative Monies in the 20th Century

Widely varying opinions on the value of money and the probity of monetary transactions has complicated the use of money in Hungary. Historical experiences of inflation after the First and Second World War worsened people's trepidations and confidence in money as a tool of everyday interaction. When cash evaporated, and unfamiliar currencies surfaced, Hungarians retreated into bartering in goods and services as the only sure means of getting fed. In the following section, I will discuss briefly several episodes illustrating the fragility of money in the period between 1918 and 1946.

World War I

The fiscal landscape created by the dissolution of the Austro-Hungarian Empire was slow in taking form. During the war, the government had issued unsecured banknotes to finance the increasingly costly disaster, increasing the number of banknotes by 334 times the amount in 1914 (Ambrus, 1979:15). Facing insufficient capacity to print the so-called "blue" money used in peacetime, in October of 1918 the Austro-Hungarian Bank released what came to be known as "white money," which had been printed quickly on offset machines (Leányfalusi and Nagy, 1997:13). Though meant to be a short term strategy (*ibid*:16), white money was used in Hungary until November of 1920. It never enjoyed the full confidence of the citizenry, despite repeated proclamations by the government that it was fully legal tender (Ambrus, *ibid*).

As a condition of the peace treaty at St. Germaine signed by the Austrians, all successor states were required to establish their own currencies within a year. The first order of business was to create hybrid forms of currency, i.e. the new states had to stamp bank notes previously issued by the Austro-Hungarian Bank, thereby distinguishing them from each other (Rádóczy, 1984:20). This task was to be accomplished within two months. While the procedures for establishing new currencies were straightforward, the actual process of transforming old banknotes into new currencies were not. Ink

stamps devised to “nationalize” banknotes were easily copied. For example, the Kingdom of Serbs, Croats, and Slovenes initiated their overstriking in January, 1919, but the procedure had to be repeated later that year. “The forgeries of [the ink] stamps became so numerous that the officials themselves could no longer detect whether the stamps were genuine or forged, so that the Government was compelled to accept large quantities of these falsified notes which were presented for the second stamping” (Garber and Spencer, 1994:9). On the second round, stamps bearing the new national emblem were affixed to the notes. In the meantime, unadulterated banknotes – white money – remained legal tender in Hungary, at which point the country became a dumping ground for any banknotes not yet stamped by the new governments in the making, adding to the already worsening postwar inflationary conditions (Leányfalusi and Nagy, *ibid*:13). Policing the flow of cash in the contentious atmosphere of postwar territorial squabbles was a near impossible task.

In the course of one year, the Hungarian government was reconstituted three times: first as a republic (October, 1918-March, 1919), then as a Soviet Republic modeled on the Soviet Union (March, 1919-July, 1919), and finally as a kingdom. The political wrangling of ministers and parliamentary factions gave way increasingly to the use of brute force as the situation deteriorated. While the Communist Party came to power legally, their ranks included notorious radicals who swept the countryside in search of anti-Communist sympathizers. Anti-communist forces retaliated in kind after the fall of the Soviet government. Enemies of the revolutionary regime rallied forces to their cause, eventually welcoming the invasion of French troops to assist in toppling the government. As governments came and went, and the economy floundered, the flow of banknotes was consistently frustrated. Each successive regime had to confront problems with the money supply; each struggled to stabilize the currency, with little success in the short term.

Relations between the Hungarian and Austrian officials in the Austro-Hungarian bank were strained in the postwar climate. Figuring out the relative burdens of the war debt, and the credit/debt balance between Austria, Hungary, and the successor states took a while; the Austro-Hungarian Bank

was fully dissolved in 1922. In the absence of its own national bank, fledgling Hungarian governments fought with Vienna for months over printing money. In the months following the war's end, the Hungarian branch of the Austro-Hungarian Bank had its hands tied by Vienna, which still held the patent for issuing banknotes. Hungarians were cautioned not to print money, while at the same time Austrians did not provide Hungarians with the banknotes they needed. "For example, from January to September, 1918 the central bursar of the [Austro-Hungarian] bank issued banknotes worth 7.5 million crowns to Austria, while only three million's worth to Hungary" (Rádóczy, 1984:8). When the Budapest office of the Austro-Hungarian Bank issued 200 korona notes on November 3, 1918 to tide the government over, the Viennese office charged the Hungarians with counterfeiting money, at which point these banknotes were destroyed (*ibid*:20). As an alternative, Viennese officials escorted a set of printing plates in order to oversee the printing of new „white money” in Budapest between November and February (*ibid*:19). Over time, the Austro-Hungarian Bank's control over printing of money could no longer be tolerated. When the Hungarian Soviet Republic was declared on March 21, 1919, the new government took charge, directing the Postal Bank to print several different denominations of white money. Plans to mint coins never came to fruition, as the republic only lasted 133 days (Leányfalusi and Nagy, *ibid*:13).

Fine points of policy formation were complicated by simple issues like proper printing machinery and engraving plates. The 600-year old mint was located in Kölmöcbánya, now a city in the new territory of Czechoslovakia. Parts of it were disassembled and moved across the border in November of 1918. „At the same time we lost the foundry which belonged to the mint at Körmöcbánya, the electrolyte and copper works at Besztercebánya, the Aranyhid mercury plating works, the Zalatna foundry, and the chemistry analysis office also at Körmöcbánya” (Rádóczy, *ibid*:18). Most of the machinery ended up at the Weiss Manfréd Works in Csepel. The dies used to mint coins were worn down, producing faulty materials and slowing down the process. Moreover, the coins minted at Weiss

Manfréd were apt to rust, as they had not been bathed in the proper solution to prevent deterioration (Ambrus, *ibid*:55).

The availability of sufficient banknotes and coins was a problem in the capital city, but much worse in the countryside. As a result, a number of towns, cities, and even factories printed their own emergency currencies (necessary money, *szükségpénz*) in the fall of 1918 and first six months of 1919. It is hard to determine just how many entities issued emergency banknotes, since the documentation is spotty for this volatile period. „We have records on emergency money series within the country’s territory in 40 communities, issued by 108 authorities, enterprises, factories, and private individuals within the country’s territory. By releasing 280 denominations – issued once or several times – they tried more and less successfully to offset the lack of change [coins]” (Ambrus, *ibid*:112). Businesses, factories, publishing companies, banks, and even religious dominations issued emergency monies, but so too did the authorities – city and town councils, including the City Council of Budapest.

A major problem with white money was its limited denominations. White money was difficult to cash, so transactions in the marketplace or paying wages became a problem. Workers in Nagykanizsa threatened to close down factories if they weren’t paid at least in part with change (*aprópénz*) (*ibid*:107). Everyday transactions in stores and shops were stymied, as a letter sent in May, 1919 to the editorial board of the *Red Newspaper* (*Vörös Újság*) describes:

‘Whether in shops, coffee-houses, restaurants, laundries, or even amusement halls, that is, wherever one shops or pays [cash], we receive a small piece of white paper, which marks in pencil the amount we would have received in change. This is the newest money. Shopkeepers have prevented the elimination of small change before the government has. Today they issue money. Shopkeepers exercise the franchise of the defunct Austro-Hungarian Bank.’ (*ibid*).

To deal with these impediments, the Revolutionary Governing Council encouraged the use of checks in place of cash. The innovation required the government to mount an informational campaign: to explain the differences between banknotes and checks, and to promote their use (*ibid*:108).

Suspicious about the legitimacy of white money eroded confidence. White money had a hard time competing with blue money. It was shoddy, and often lacked printing on one side of the bill. It

was easier to counterfeit than the copperplate printed blue money (Ambrus, *ibid*: 93). Since the white money which had been printed in Vienna carried an expiration date – it was to have been replaced with new banknotes by the end of July, 1919 – it was more and more difficult to convince people that white and blue money were of equal value (*ibid*:34). As long as currency remained unadulterated – hadn't been stamped – it held the promise of greater return once the values of currencies in the region stabilized (Garber and Spencer, *ibid*:14). Blue money crossed the border from the successor states, but as people tended to hoard it, thinking it of higher value, there was never enough, which contributed to its scarcity and higher value (Ambrus, *ibid*: 38). To complicate matters,

...the Austro-Hungarian Bank of Vienna continued – with the sanction of the Austrian Government – to bring unstamped notes into circulation for the benefit of foreigners, even after the stamping had been completed in Austria; . . . As a result, considerable quantities of unstamped Austro-Hungarian notes remained in circulation in Central Europe, and were the objects of a brisk trade, especially in Vienna. As a rule these notes commanded a premium – in some cases as high as 30 per cent – as compared with the notes stamped by the Austrian Government. (van Walré de Bordes, 1924:40-41)

Eventually, in July, 1919 the Soviet Republic declared blue money illegal, so that the currency being printed by the Postal Bank would take hold.

The legitimacy of Hungarian Soviet monies was constantly under attack. The Austro-Hungarian Bank raised the charge of counterfeiting again, this time against the revolutionary regime. Critics and enemies of the Soviet Republic, within the country and abroad, also raised their voices against the “false money.” Anti-communist sympathizers fueled the flames of unrest caused by the lack of sufficient banknotes and coins (Ambrus, *ibid*:106). When Romanian troops occupied Debrecen and French troops joined the Anti-Bolshevik Committee gathering in Szeged, banknotes acquired new „owners” and new stamps. „Szeged, as the center of the counterrevolutionary movements, had stamping procedures which differed from the occupied zones. With the cooperation of about 20 financial institutions, great quantities of these versions of over stamped monies were issued” (*ibid*:76). At the same time, the counterrevolutionary forces printed counterfeit white money to further destabilize the Soviet Republic (*ibid*:87). After casting leaflets over Kecskemét by plane, a plan was submitted to the Propaganda

Committee of the Anti-Bolsheviks to follow this maneuver with additional flights to drop counterfeit white money bearing ““with overprinting of sarcastic and derisive terms” but this proposal was never acted upon (*ibid*:92). Trepidations about disfiguring money did not prevent many in Hungary from writing and drawing on banknotes, either with a particular political message, commercial advertisement, or simply a joke. The portraits on money were altered, and drawings of workers, peasants, soldiers, and even waiters made their appearance. Anti-semitism was a cornerstone of counterrevolutionary propaganda and politics, so the figures of rabbis and Jewish businessmen frequently appeared, as did words like pogrom scribbled on the edge of notes (*ibid*:98-105). Once the Soviet Republic was overthrown, the new government began printing its own money, also issued by the Postal Bank. A small typographical change distinguished the new bills. An article in the printers union newspaper made note – with characteristically snide overtones – of the change: „‘The cap of liberty is missing from the female figure’s head, in addition to which a small white cross shines in the corner . . . as if indicating that out of respect for the white terror, her ladyship converted [from Judaism to Christianity] and joined the Christian Socialist Party’” (*ibid*:172).

Hungary stumbled on for several more years without a stable, post-empire currency, beset by unprecedented levels of inflation.

Based on the Central Statistical Office’s calculations of basic subsistence levels, prices in March, 1919 were at 561.10%, in the next month grew to 690.70%. The degree of price increases in May reached 730.50%, in June 848%, in July 1104.20%. In the August of jolted inflation, following the overthrow of the Soviet Republic and because of the elimination of its restrictions, prices nearly doubled to reach the level of 2120.80%. In the ten months following the defeat of the war, the increase of prices in comparison to those in October, 1918 was 369.92%, in the course of April to August 377.97%. Between October, 1918 and March, 1919 the devaluation of money slackened to an average monthly 2.24%, in the months April-August, the inflation jumped to 75.58% monthly. (Botos, 2006:62-63).

The true period of hyperinflation began in March of 1923. In February, 1924 the government introduced the so-called “savings crown” (*takarékkorona*), an indexed rate designed to restrict borrowing by individuals and enterprises and so slow down inflation. A committee housed at the Royal State Bank of Issue calculated the value of the savings crown daily, based on the average rate of exchange in Vienna,

and six companies in the Budapest stock market. Credit was provided in the indexed rate, but had to be paid back in paper crowns (*ibid*:81). „This experiment came to an end on May 31, 1924, at which time the regular crown had depreciated by 25 percent relative to the saving crown. It ended because the adjustment formula tended to rise faster than domestic prices” (Bomberger and Makinen, 1983:808, footnote 12). In the following six months, changes in government policy succeeded in lessening the rate of inflation. The Hungarian National Bank was finally established in the same year, fully equipped with patents to issue money. The government raised taxes and fees, improved their collection, and reduced the size of the state bureaucracy. Fiscal matters improved when credit was received from abroad for postwar reconstruction, funds augmented by a loan extended to the government by Parliament (Botos, *ibid*:85). Nonetheless, it took three more years for the country to switch to a new currency, the Pengő, to replace the crown.

World War II inflation: Déjà vu all over again

In the year following the end of the fighting in May, 1945, the country experienced a period of rapid inflation. This is a common occurrence in postwar economies. What sets this case apart is that no other country has exceeded the rate of inflation Hungarians witnessed between June, 1945 and August, 1946.² While the explosion of the post-WWI German inflationary spiral is well known, it cannot match the rocketing prices in Hungary after WWII. Nötel compares the two inflationary episodes in terms of the exchange rate of the dollar: 4.2 billion (10^{12}) marks in Germany post-WWI versus 5 quintillion (10^{30}) paper Pengős” in post-WWII Hungary (Nötel, 1986:538). This tragic turn of events was true despite measures taken after World War I to prevent its reoccurrence.

In 1924 when the National Bank was founded, the government pledged not to finance its expenditures by issuing unsecured banknotes. The law forbid the new institution from bankrolling the government. Taxes were to be levied to cover the state’s expenditures. This principle held until the pressures of military rearmament in the late 1930s increased. The independence of the national bank

² The 2008 currency crisis in Zimbabwe may trump these figures.

was abrogated with the passage of the civil defense law in 1938, opening the bank's coffers once more to the hands of government officials (Siklos, 1991:60-61). Pressures to monetize the national debt were exacerbated by Germany's indebtedness to Hungary throughout the war, a result of its policy of maintaining a balance of trade (an exchange clearing account system) rather than paying for goods outright; the debt grew from 326 million Pengő in 1941 to 2918 million P in 1944 (ibid:51).

Irresponsible officials in the last days of the desperate Arrow Cross regime issued 9 billion P notes and shipped them westward as they fled the invading Soviet troops – having destroyed the printing presses before their departure and taken the banknote plates with them (Siklos, 1991:4; Rádóczy, ibid:84-5). To add insult to injury, the Arrow Cross also absconded with the nation's gold reserves, which they then surrendered to the U.S. military in Germany (Siklos, ibid:250). With insufficient foreign currency left in the bank's coffers, the Hungarian state had to borrow money in order to pay for the ink needed to print currency (Bomberger and Makinen, ibid:807).

Problems with the money supply were further complicated by the nation's territorial expansion as a result of the Vienna Accords of 1938 and 1940. These banknotes found their way back to Hungarian soil after these territories were liberated, as did the banknotes the Arrow Cross had taken to Austria. „In the summer of 1945 the Hungarian National Bank exchanged the new type 1000 Pengő put into circulation by the Arrow Cross government for 664 million Pengő. To distinguish the old type of banknotes which had circulated before, which the Arrow Cross government had wanted to bring into circulation in the areas still under their jurisdiction, they marked these with a green Arrow Cross Cross” (Rádóczy, ibid:85). To muddy the fiscal waters even further, the Soviet army also issued banknotes – to the tune of 4,800,000 P – between the end of 1944 and early 1946 (Botos, ibid:170). Clearly marked as issued by the Soviet Army Command, these notes were fully legal tender. That did not allay concerns

about their legitimacy; „farmers, in particular, [were reluctant] to accept such notes in payment for agricultural produce” (Siklos, ibid:252 n. 2).³

Long standing animosities between the city and the countryside were exacerbated by the difficulties imposed on Budapest by the Russian siege, which lasted 102 days (Ungváry, 1998:9). The presence of Russian troops in town after the armistice strained urban food stores even further. There was little hungry workers could do. A measure of the frustration workers experienced is expressed in the kinds of discussions taking place among politically active citizens. An example of this outrage is illustrated in discussions held in the Economic Committee of the Social Democratic Party in June, 1945. Committee members contemplated a plan to impose mandatory targets for wheat cultivation on landowners. “After all, they were given the land [in the land reform] as a gift from the nation.”ⁱ The targets would be calculated by figuring the dietary needs of towns and industrial regions. Despite the workers’ indignation, the party never followed through on this policy. As a critic pointed out in a scathing attack on the policy, this „phoney radicalism” would drive the peasantry into the arms of the conservative Smallholders’ Party when national elections were on the horizon. On a more practical level, “we do not have the suitable communities, administration and gendarmerie to execute requisition” (ibid). The absence of a fully functioning governmental apparatus was a crucial factor in the fiscal chaos which reined.

The jump in the rate of inflation was not immediate; in the latter months of 1945, prices showed an average daily increase of 2%, 4%, 18%, 15% and 6%. Acceleration truly gathered steam in February, 1946. At this point, peasants refused to take Pengő in payment for their goods (Siklos, ibid:5). In the city, people left work as soon as they were paid to shop, fearing any delay would eat into the value of their wages (Nogaro, ibid:529). In the early period of the inflation, people were paid twice a week, but

³ Siklos argues that the volume of banknotes issued by the Arrow Cross, Soviet army, and the war-time Hungarian government in appropriated territories was not significant enough to account for the inflationary spiral after the war (1991:99). But for our purposes, what’s important is to chronicle the variety of notes in circulation, and their questionable value, to Hungarian citizens grappling with the postwar reconstruction.

eventually they were paid every day to accommodate the rapidly changing value of cash (Eckstein, 1952:237). Such rapid devaluation led to what is called “the flight from money,” the psychological response to the increasing worthlessness of cash (Nogaro, *ibid*:533).

The Pengő ceased to function as an instrument of saving, accumulation of wealth, measure of value, unit of account, and finally also as unit of payment, because it became unsuitable for accumulation and was subsequently replaced, first in agricultural circulation, then in industrial circulation, and finally in the payment of wages and salaries, by foreign currency, by tax-Pengő taxation certificates, and above all, by direct barter. (Nötel, *ibid*:538).

Some commodities were still considered valuable, and could be used to acquire other goods: tobacco, cigarettes, rice, scarce items of clothing and industrial goods, raw materials, and gold (Botos, *ibid*:178).⁴ “Scales suited to measuring grams appeared on the counters of vendors at the market, as the daily fluctuating exchange rate of Pengő to broken gold [debris d’or] developed” (*ibid*).

In April, people had given up quoting prices in numbers, preferring to refer to the color of banknotes (Siklos, *ibid*:6). „The calculating abilities of people could no longer take the astronomical rates. Confusion arose in official mathematical circles whether a period is inserted between million and billion or billion and trillion . . .” (Büky, 1946:5).⁵ Needless to say, the crisis in the national currency strained more than people’s skills in multiplication. Black marketeering and price gouging – familiar postwar hobbies – only added fuel to the fire. The rapid deterioration of the value of banknotes created incentives – for those still with money in hand – to spend recklessly and invest haphazardly (Nötel, *ibid*:541).

As the inflation worsened, word spread that a stabilization program was in the works, rumors substantiated by wooden sloganeering in party organs. In May, the catchy phrase, “All power to

⁴ Though the general depiction of black marketers in the press and public opinion was of the immoral, greedy speculator, lots of average folks also participated. “The theft of goods such as fuel, or even raw materials from local factories by impoverished workers was endemic. . . . For many artisans, participation in the black market was essential to survival, to secure materials. Sometimes it involved the sub-contracting of work to skilled workers employed in large factories, who stole raw materials and used factory machinery to earn supplementary incomes, or obtain goods in kind” (Pittaway, n.d.:30).

⁵ „A trillion banknote consists of as many 10 Pengő notes as it would take to stack them end to end closely alongside one another to circle the earth 25 million times at the equator” (Büky, 1946:8).

creating good money,” graced the pages of *Free Land (Szabad Föld)*, the weekly newspaper for cooperative farm members.ⁱⁱ Peddling hope was a lost cause; memories of the inflationary catastrophe following WWI were too fresh and skepticism of the government too high. „By June 1946, it was virtually impossible to find regular Pengő currency in circulation in Budapest and other cities, especially after 2 p.m., the hour the banks closed. Businesses and individuals would deposit practically all their currency in banks and withdraw a scaled-up sum the following morning with which to conduct business” (Bomberger and Makinen, *ibid*:808).⁶ For most, however, recourse to barter was the only means of getting by.

What to do?

In 1945 and 1946, there was no scarcity of ideas about how to stave off the worsening fiscal situation. In September, 1945, the Hungarian National Bank made the simple suggestion that the government make a case for postponing the costs of reparations imposed by the international community (Botos, *ibid*:186). Nothing came of this.⁷ At the end of October, the chief counsellor of the bank argued in favor of strong government intervention – stabilization of wages and prices, state-directed production and redistribution of goods – as it was now possible to foresee the complete collapse of the Pengő (Botos, *ibid*). He was not loath to advocate borrowing money from abroad, as did others in the months to come (*ibid*:187).⁸ As late as 1948, a member of the Finance Ministry, Virány Egon, put forward a plan modeled on the savings crown from 1924, this time called the “savings forint” (*takarékforint*). “His proposal was that the savings forint be equal to 5 kilograms of wheat, or 5 liters of gasoline, or perhaps to other consumer items” (Botos, *ibid*).

⁶ “The desire to get rid of currency by 2 P.M. caused serious problems in exchange and distribution. To deal with these, the government on July 8 was forced to decree that food stores and the like remain open until 5 p.m. However, after 2 p.m. they were not required to accept regular Pengő notes. The decree also specified that any wage earner could refuse his wages if they were tendered later than 2 p.m. and could insist on being paid the following day at that day’s quotation for the tax Pengő” (Bomberger and Makinen, 1983:808, n 13).

⁷ Bomberger and Makinen estimate that “[t]he combination of reparations and [Soviet army] occupation costs accounted for 25-50 percent of monthly expenditures by the Hungarian government during the hyperinflation” (*ibid*:804).

⁸ A variety of fiscal instruments was also contemplated, including the deposit Pengő (*betét Pengő*), farmer Pengő (*gazdaPengő*) and the credit Pengő (*hitelPengő*) (Botos, *ibid*:186).

Dire straits led some not sitting in banks or ministerial chairs to propose alternative monetary metrics.⁹ In an attempt to stabilize the value of goods and labor, several proposals surfaced designing alternative systems of metrication, usually taking labor as the basic unit of value. While primarily designed to fix the relationship between labor and goods – i.e. to make it possible for the working person to acquire basic necessities – these plans also had strong sanctions built in against price gouging and black marketeering. The dignity of labor had to be preserved; the abomination of becoming rich at the expense of others had to be outlawed. It should not go unnoticed that these plans shared crucial features of the metrication projects agrarian work scientists developed seeking to standardize the value of labor.

I will discuss two examples of innovative metrication schemes. The first was a proposal submitted to the Social Democratic Party's membership meeting by one of its members in Békéscsaba in June of 1945. The plan was adopted unanimously by the membership, and forwarded to the national office of the Social Democratic Party for review by experts, with the optimistic caveat that the plan should eventually be submitted to the Ministry of Finance for distribution.ⁱⁱⁱ Though born in crisis, the plan had far greater aspirations, sentiments that were shared by many political activists on the left in the immediate postwar climate.

If we want to put an end the crises of the capitalist economic order, and if we are serious about wishing to set out on the road of democracy and socialism, then it's not enough to recognize the reasons for crises in capitalism. We must also attempt to put an end to them as soon as possible in the realms of politics, economics, and morality. Politics is nothing other than an economic, social and moral tool. The major factor of economic life is the relation between the value of goods and the value of labor. From this relation have sprung classes, class differences, and class struggle.^{iv}

The proposal proceeds to sketch a system designed to assure that wages and prices would be stabilized and equivalent to each other, a task befitting the state's planned economy. One Pengő unit was defined as the equivalent of an average hour's work completed by a manual laborer of middling capacity (*közepes teljesítményű fizikai munkás*). One Commodity Pengő would express this same value. The Labor Pengő

⁹ It may be significant that both the proposals cited were found in the archives of the Social Democratic Party. But as we will see, others also suggested similar ideas.

consisted of 100 units, allowing for higher wages according to the value of the work performed. For example, a more productive worker – manual or white collar – would receive 1 labor-hour Pengő and 50 labor units. “The labor Pengő has a double security: goods and labor. I consider it necessary to establish the labor cover, so that there not be wage fluctuation. I consider the goods cover necessary so that it be stable and also stable in foreign trade.”^v The Commodity Pengő was also calibrated 100 units to a Pengő.¹⁰ The following example included in the proposal illustrates how goods were to be priced.

To determine the price of one meter of cloth.

the value of the materials in one meter of cloth	3 Labor Pengős
fabricating one meter of cloth: 7 hours	7 Labor Pengős
10% profit	<u>1 Labor Pengős</u>
	TOTAL 11 Labor Pengős

Therefore, the commercial value of one meter of cloth is 11 Labor Pengős, which is equal to 11 Commodity Pengős. At the same time, one meter of cloth is worth 11 Pengős. . . . If, in the course of import or production, fabricating cloth goods becomes more profitable, then one meter of cloth would not be 11 Pengő, but only 8.”^{vi}

The proposal contained other examples: the proposed Pengő value of wheat, milk, and eggs. The proposal also provided information on how to alter the value of wheat in the event of a drought. An important caveat in the proposal was that luxury goods were excluded from this system, their price to be determined by the free market. Only basic necessities – defined loosely as „the quantity which satisfactorily ensures the basics for the country’s inhabitants” – would be overseen by the system of planned and nationalized distribution.^{vii} An additional advantage of this system, the author claimed, was that it would simplify the tax system, allowing citizens to pay their obligations in money or in kind. „The primary goal would be to realize the continuous equilibrium of labor value and goods because democracy and socialism cannot be the scene . . . of the struggle between labor and capital. For where there is struggle, it is not possible to fashion universal democratic state policy.”^{viii} These were high hopes, though the document closes with the recognition that it may never come to fruition. „The spirit

¹⁰ The plan echoes comparable systems developed in the 19th c., as in Owenite communities (see, for example, Harrison, 1969).

of my proposal is built on collective freedom, and if perhaps for certain reasons it would not come to be, my work would still not be for naught, if only to open the way for this and similar notions.”^{ix}

Another proposal, this one penned by a Social Democratic Party member in Budapest, N.J., shared many features with the Békescsaba plan, although he placed greater emphasis in his conception of a planned economy on preventing nefarious commercial activities. “No one can hoard the wealth of the Hungarian nation. Those who yearn for status want us to be their slaves. Hungarian national wealth belongs to everyone. . . He who wishes to hoard so much wealth is the enemy of the Hungarian nation and Hungarian homeland.”^x He stipulated the wages for various kinds of employees, as did his comrades in Békescsaba. The weekly wage scale for workers, craftsmen, officials ranged from 100-200 P., with 20 P. increments. No one could earn more than 200 P., the highest wage payable only to those whose occupation was life-threatening.^{xi} These scales were obligatory. In those cases where an employer neglected to pay the proper wage, the state would step in. Commerce would be encouraged, but it was also monitored stringently. Every possible kind of ware – „from rags and other cheap stuff to gold and diamonds” – could be sold at a fixed price in officially sanctioned stores.^{xii} He was an equal opportunity regulator. Anyone “of any class” could engage in market transactions with the caveat that goods bought and sold had to be registered in stores. Every and all trades and professions were to be free to practice “within the boundaries of the national economy.” And anyone and everyone – “the king to the beggar” – would be held accountable for their actions, according to a uniform code of law. His plan also included a variety of benefits: child support, subventions for school, and even proper medical care and a livelihood for all employees. His proposal was forwarded for review to the Commerce, Industry and Office of the Social Democratic Party. The did not look kindly upon his ideas. “Unfortunately, solving economic problems makes it necessary to have greater knowledge of economics, and as a result of the circumstances of the current situation, the [solutions] are not simple.”^{xiii} In a letter responding to the man’s proposal, party officials assured him the Social Democrats would do everything possible to ensure that a planned economy be adopted “within the framework of the coalition

government.”^{xiv} The future of planning clearly was not N.J.’s only concern. In closing, the author generously offered to serve the Hungarian nation “to the best of his ability,” a condition of which would be that his family’s subsistence be guaranteed. This, of course, is what all these proposals were intended to achieve.

Both of these proposals may seem extreme, and they are clearly penned by desperate people, those most hit by the inflationary spirals. But they also resembled ideas being tossed around at the Finance Ministry in late 1945. “Forgó István thought it possible to halt inflation by introducing a labor Pengő, by establishing prices in wages” (Botos, *ibid*).¹¹ In light of measures adopted during the war, however, the proposals were well within the bounds of reason. As early as 1938, with war so close on the horizon, the Hungarian government established the National Commission for Price Control (Árellenőrzés Országos Kormánybiztossága), in the hopes of forestalling the horrendous inflationary consequences remembered from WWI. A series of regulations followed, fixing the prices of basic goods – agricultural and industrial – and also setting upper limits on wages (Botos, *ibid*:154-5). Sugar was the first product to be restricted in April 1940. At the same time, those living in Budapest and larger cities were also subject to rationing bacon and lard (Botos, *ibid*:155). Other goods like flour, bread, eggs, milk, meat, soap, shoes, detergent, and heating oil followed suit. New products like “folk bread” – a black bread, with bran making up a quarter of its contents – were introduced to stretch resources, though „based on its quality, it could only be classified as bread in the most charitable sense” (Botos, *ibid*:157). The Ministry for Public Welfare (Közellátásügyi Minisztérium) set up trade centers to facilitate the acquisition and distribution of goods (Pető and Szakács, 1985:48). Special measures were implemented stipulating that peasants submit their tax obligations in kind. Confronting difficulties provisioning the troops, by the summer of 1942, the government even took to stationing guards at threshing machines “to

¹¹No matter how unusual one might find this proposal, it was not entirely a new idea. In fact, an article in the prestigious journal *Economic Review* in 1941 discussed the notion of labor money, mounting a Keynesian critique of its premises (Raab, 1941). What is interesting is that the author suggested that the Nazi economy had been re-organized on the principle of labor money. I have found no evidence that this was the case in actual fact.

determine the producers' surplus" (Matolcsy, 1943:18). In short, Hungarians had become used to the government stepping in to regulate commerce and industry, prices and wages. Continuing these practices in the worsening situation seemed only right. Unfortunately, the wealth of ideas on the table did little to stem the tide. People were forced to make due, in the process bequeathing us colorful stories which mask painful deprivation.

Tax Pengő

The first measure adopted by the state to deal with inflation was a levy on banknotes, the so-called "tax Pengő" (*adóPengő*). It was designed to reduce the number of banknotes in circulation, as well as ensure the constant value of tax obligations to be paid to the state. The initiative bore similarities to the savings crown adopted in 1923 and 1924, and indeed was proposed by members of the government who had memories of the plan (Bomberger and Makinen, *ibid*:808 n. 12). "Others in the government opposed the extension of the tax Pengő to the banking system. They feared that indexed accounts would have an adverse psychological effect by convincing the public that the government was not serious about curbing inflation" (*ibid*). Their trepidations were not shared.

The government sold stamps which had to be affixed to banknotes exceeding 500 Pengő. The stamps multiplied the value of the original note threefold; in other words, three-fourths of the value of one's cash essentially had to be surrendered to the government in exchange for a revalorized banknote (Siklos, *ibid*:101).¹² Banks would only accept tax Pengő to pay debts, and would only issue credit in tax Pengő (Botos, *ibid*:188). In short, the tax Pengő "was a form of noncirculating money (i.e., it was not a medium of exchange)" (Bomberger and Makinen, 1980:554). To address the constantly changing value of the Pengő, the value of the tax Pengő was calibrated according to a cost of living index developed by the highly respected Hungarian Economics Research Institute (Magyar Közgazdaságkutató Intézet,

¹² "Meanwhile, the face value of bank deposits and other credits and liabilities was unchanged; and in particular, wages and salaries were untouched" (Nogaro, *ibid*:529).

MKKI). The cost of living was calculated daily, but the change in prices was only reflected in the tax Pengő index two days later. Initially, the tax Pengő brought in greater revenues, as anticipated.

In the first quarter of 1946 state revenues could only cover 14-15% of expenses, in contrast to the earlier 6-7%. . . . However, inflation could not be halted, because, among other things, the taxes assessed in tax Pengő were collected in 'plain Pengő-s,' whereas after carrying out unavoidable administrative tasks, this sum was worth significantly less because of the changes of the tax Pengő index number in the meantime. (Rádóczy, *ibid*:88)

By April, what had been the two day lag between publishing the index and adjusting the value of the Pengő was shortened to one day, to accommodate the dynamic changes in prices (Botos, *ibid*:188). The value of the tax Pengő was eroding, defeating the whole purpose of the index itself. In fact, in April the government decided in secret "to begin arbitrarily to devalue, as it were, the TP price index and thereby effectively sever any semblance of a link between the TP price index and the cost of living index" (Siklos, *ibid*:38). A "'deluge of noughts', or the annihilation of the Pengő" began, ushering in a period in which the prices quoted in the healthy black market lagged behind official prices (Siklos, *ibid*:110).

In late May, the government issued an actual bill – a tax Pengő Pengő (*adóPengő-Pengő*) – which could be used to pay taxes, although they carried an expiration date in two months time. „On June 13, the minister of finance extended the use of tax Pengő notes to cover payment for such things as public utility bills, rail fares, and other services supplied by the state or state enterprises. In addition, the government could make payments with these notes for produce delivered to it under the system then in place, which obligated farmers to furnish a portion of their output to the state" (Bomberger and Makinen, *ibid*:809). As a result, prices were now figured in tax Pengő, not only replacing the Pengő itself, but also requiring the government to issue larger and larger denominations of the tax Pengő Pengő to keep up with inflation. The confusion surrounding the legitimate form of legal tender was not restricted to the average shopper and worker. On July 8th, nearly six weeks after the regulation permitted tax Pengő Pengő to be printed, the directorate of the Hungarian National Bank took exception to the Ministry of Finance having abrogated the bank's sole right to print money. On the very same day, in bold disregard of the bank's complaint, the Ministry of Finance issued a regulation making the tax

Pengő Pengő legal tender. This measure was followed the next day by a memo circulated to all banks prohibiting them from trading tax Pengő Pengő for „regular” Pengő (Botos, ibid:189). At the end of July, as the new currency was about to be issued, the exchange rates between Pengő and tax Pengő were made public, and the original expiration date for the tax Pengő Pengő was extended until the end of September (ibid:189-190).

Calorie Pengő

In February, the short respite achieved by the introduction of the tax Pengő was over. The rate of inflation increased once again. Difficulties with securing and transporting sufficient foodstuffs to town forced many to part with valuable heirlooms or other disposable household goods, simply to get enough to eat. In December of '45 the daily bread ration had already been cut back: from 45 to 25 decagrams for manual laborers with the hardest jobs, 30-34 to 15 for other manual workers, while office workers and children were assigned an extra ration of 5 decagrams (Pető and Szakács, ibid:45). Those without these resources were in serious trouble.

At the beginning of 1946, the average food ration of the around 800,000 adults living in Budapest did not reach 480 calories a day. In the first three months the public supply apparatus could only ensure on an average 1000-1200 calories for the 135,000 heavy manual laborers of Budapest, 820-980 calories for the 160,000 other physical laborers, 600-650 calories for the 115,000 office workers, and 670-830 calories for the roughly 220,000 children under the age of 12. (Pető and Szakács, ibid:46)

Recognizing the dire straits families faced, city officials in Budapest set up “folk kitchens” on the Pest side of the Danube as soon as the fighting was over (end of January, 1945). By the summer there were 124 official soup kitchens and 278 workplace canteens in Budapest, feeding 137,000 adults and 7800 children (ibid:45-46).

In response to the worsening situation, the government and the Economic Supreme Council (Gazdasági Főtanács) crafted a new policy in February of 1946, the so-called “calorie Pengő” (*kalóriaPengő*). The idea was to have factories provide workers with food, simply replacing a monetary wage with goods in kind determined by their caloric value. The daily caloric needs of workers and civil

servants were set at 2840 calories for [heavy] manual workers and 2470 for all other categories of workers. The size of the worker's family was also to be counted in the wage; family members were to be allocated 1200 calories (*ibid*).¹³ Each week, the Economic Council priced a food basket with different contents, figuring the prices on Monday and issuing them officially on Thursday in order to ensure the information be available by payday on the weekend.

From the outset, the purpose of calorie money – provisioning the labor force to ensure that reparations and reconstruction would continue apace – was constantly frustrated. Factories had just as much trouble acquiring the foodstuffs necessary to supply their workers as did the workers do themselves. In some cases, the enterprises producing sought after goods – following the example of the Second World War – organized their own purchasing groups, which travelled to villages and rural towns to buy up food in exchange for manufactured product” (Botos, *ibid*:178). These problems were far greater for small industry as they lacked any comparable infrastructure.^{xv} Recognizing the difficulties employers faced in finding enough food to pay their workers, the government relented and made it possible to pay the Pengő equivalent of the „caloric wage” (Pető and Szakács, *ibid*:46). To assist this transaction, the government devised a calory price index to ensure that workers' wages would keep up with inflation (Table 1). In some instances, workers simply refused to be paid in anything else but in kind, as was the case with miners in Tatabánya. At the same time that the calorie Pengő policy was adopted, the government also standardized wages within trades with a change in industrial workers' contracts. Since only a small percentage of workers' pay would now be represented in the base wage, expectations were that differences in wages between categories of workers (skilled, unskilled, etc.) would disappear.^{xvi} These hopes were not fulfilled. As the report prepared by the Hungarian Economics Research Institute issued in July stated, when workers were paid in food, wages were fairly

¹³ In the fall of 1939, the Hungarian Economic Research Institute developed an index based on an imaginary food basket designed to provide an adult man approximately 75% of his weekly requirements. By this means it was able to keep careful track of price fluctuations in the cities and countryside all throughout the war, but it also provides a valuable insight into what is considered a weekly diet. The basic caloric needs of workers in various strata had already been calculated before the war, as we have seen in Chapter One.

stable over time.^{xvii} But as a result of inflation, the Pengő equivalent of the caloric wage constantly eroded.

During the four weeks from April 20th to May 20th prices showed an increase of 80 times, while in contrast the increase from May 20th to June 20th was already 3350 times. The official index of the consumer prices of food was 3.1 million, as opposed to the 6 billion free market food index. During the four weeks at issue wages, on the other hand, only increased 1250 times, inclusive of calorie conversion. This demonstrates that the increase in wages only offset the increase in prices by a third, while in the previous four weeks wage rises were more than 60%" (Büky, *ibid*:6).

Regulations were broken in the interests of keeping workers going. „It is inconceivable that someone would be capable of working, much less stay alive, in the midst of this degree of decrease in real wages in June, 1945.”^{xviii} In light of the radical devaluation of wages, workers were regularly paid far more than officially sanctioned. „In practice the cash wages set in the collective contracts were generally overpaid by many times, and the drop in the standard of living relative to June of 1945 was in reality no more than 40-60%" (*ibid*). The authors of the report didn't even try to calculate what percentage of wages were illegal, mentioning the wide differences between factories, branches of industry, as well as over time. In small industry, where cash wages were common, illegal wages were assumed to be very high.

Within two weeks of the new policy, workers were already voicing their dissatisfaction. Workers from Makó marshaled their own evidence.

Allocations in kind as a consequence of the possibility of converting calories only exists on paper; it has completely failed. It is bankrupt because the conversion price established by the Economic Supreme Council stays far lower than market prices. Let the prices below serve as verification:

the weekly allotment for employees:

two eggs

conversion price (47 calories X 18 P.) P. 2,646

market price P. 12,000

20 decagrams of cheese curd

conversion price (220 cal. X 18 P.) 3,960

market price 12,000

1.40 kg of cabbage

conversion price (420 X 18 P.) 7,560

market price 84,000.^{xix}

In the face of these difficulties, the workers in Makó called on the government to regulate the market and to impose more stringent oversight of commerce, the post office, and the railroad. Banks were to be closely monitored, at least until they were nationalized. (Unsurprisingly, banks and black marketers were equated throughout the document.) The country needed a commercial police force (*gazdasági rendőrség*). And last but not least, the workers insisted that they be paid in kind. If not, then the prevailing prices at the local market had to be the basis for wages calculated in calorie money. Otherwise, “if a noticeable improvement does not appear in a short time, then the executive committee cannot be held responsible for the consequences.”^{xx} People were at the breaking point.

The Path to Stabilization

The Forint was introduced on the 1st of August, timed to coincide with the wheat harvest, an occasion traditionally associated with bounty and celebration.¹⁴ The nation’s fiscal savior had been born. The rapacious Pengő—powerfully depicted in a poster as a child eating away at its mother’s breast—would be banished to the dustbin (see figures at the end of the text). The Communist Party did its best to take credit for crafting the new money. A satirical cartoon which appeared in the joke magazine published by the conservative Smallholders’ Party shows Communist Rákosi parading around his newborn coin, arm in arm with his wife, a happy peasant woman named Democracy (see figure at end of text). This was so even though at the time the members of the Economic Supreme Council represented a range of political affiliations. In addition to those in Hungary dedicated to solving the problem of inflation, several well respected Hungarian economists living abroad also took part: Kaldor Miklós, Varga István, Varga Jenő, and Balogh Tamás (Botos, *ibid*:196). The Communists and Social Democrats nonetheless did play an important role in initiating proposals to stabilize the economy, developing plans as early as February of 1946 to forestall the worsening situation. Included in these proposals were plans to nationalize the central bank, an institution which had lost credibility among the citizenry for its role in

¹⁴ The name of the new currency was selected from Hungarian history. It was named for the gold florin in use during Károly Róbert’s reign in the 14th century (Botos, 197).

the fiscal chaos gripping the nation since the late 1930s (Botos, *ibid*:195). These efforts were quashed in the course of the negotiations. There was broad agreement, however, on the need to reform the price structure. How to set prices in such an unstable inflationary environment proved difficult.

The intention of the planners was that the forint price level should be on average (as measured by wholesale prices) fourfold the price level expressed in the 1938 Pengő. As one might expect, these “scientifically” determined prices did not stand the test of time. From the outset they were on the whole quite contrary to those dictated by market forces; that is, agricultural prices were set too low. By July 1947, farm prices were some 70 percent above their December 1946 level, whereas industrial prices had risen on average less than 5 percent. Not only were prices set artificially, but through the early months of stabilization they were subject to substantial state control, though cost passthroughs were allowed. (Bomberger and Makinen, 1983:819)

Anticipating difficulties ahead, government officials were keenly aware of the need to cushion the forint’s arrival. To do so, they stockpiled goods in the months leading up to the stabilization in order to flood stores with long sought after goods. And the manner of acquiring these goods showed the officials to be very clever in manipulating markets.

To obtain some of these goods, Hungary concluded a series of barter treaties during early 1946 . . . transactions which involved a clever arbitrage of markets. Large quantities of Hungarian tobacco products, e.g., were sold in Vienna, where their price was high in dollars. The dollars were used to purchase cheap Polish sugar. The sugar was sold in Bucharest where its price was high in broken gold. The gold was taken to Budapest where it was struck by the Hungarian mint into gold Napoleons. These gold coins were then used to buy imported goods from Switzerland. (Bomberger and Makinen, *ibid*:818, n 28).

Word of bounty spread quickly. Farmers flocked to the city, exchanging their foodstuffs for forints, which would then be spent in the store down the street offering industrial goods (Eckstein, *ibid*:239). Yet the process of shifting to a new currency took time. As late as December, agricultural workers were being paid in kind, as forints were hard to find in the countryside. Receiving their wage in kind was also preferable, since in the absence of a surplus, it was not possible to buy grains for money. Efforts on the part of the National Agricultural Wage Setting Board (Országos Mezőgazdasági Munkabérmeáallapító Bizottság) to figure out the forint value of agricultural wages in kind were slow.^{xxi} State budget deficits

continued for several months, as had been anticipated in the plans to restructure the taxation system designed in the spring (Siklos, 1989:137).¹⁵

Conclusion

I began the chapter by noting the discrepancy between Marx and Simmel's theorizing about money as a means and a fetish on the one hand, and the recurring barriers to its use (as banknotes or cash) at the time in Central Europe on the other. Yet the core of Marx and Simmel's insight into the magical properties money exercised on the imagination held true. Agrarian work scientists and business economists aimed their sights on monetary wage schemes as the key to increasing productivity and profitability. In light of these difficulties, all the work that economists and work scientists devoted to crafting an abstract „standard daily labor unit“ in the 1920s and 1930s can be seen in a new light. Specialists were not simply aiming for a rigorously defined metric of labor value to deploy in studies of productivity or commensuration exercises to rationalize agricultural production scientifically, but in fact were pushed to wax abstractly precisely because of the absence of monetary prices for labor. The new work units experts designed bore all the features of a commodified wage: discrete units of activity of a specific duration performed by specific categories of social actors with certain skills or physical attributes. Happily, these abstract metrics served just as effectively in commodifying labor even though labor markets were absent, that is, the usual motors driving commensuration and comparison were nonexistent. Therefore, the use of work units in socialist production should be rethought. Work units were not a way of keeping labor markets at bay, as has been hypothesized in the past, but in fact a means by which an infrastructure of labor value could be established without an active labor market to adjudicate prices (wages).

¹⁵ Rapid nationalization took off at this point, making the collection of taxes much easier (Siklos, 1989:137).

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- i PIL 283 f. 32/44 ő.e. SZDP [Gazdaságpolitikai O.], 1945.aug.17, p. 25. [I have cited archival documents separately as endnotes to make it easier to read the text. Other primary documents, such as newspapers, are cited in the footnotes.]
- ii PIL 283 f. 24/31. ő.e. SZDP [Szövetkezeti o.], 1948., p. 107-108.
- iii PIL 283 f. 32/6 ő.e. SZDP, 1945.jul., p. 11.
- iv ibid.
- v ibid.
- vi ibid., p. 11a.
- vii ibid., p. 11.
- viii ibid., p. 11a.
- ix ibid.
- x PIL 283 f. 32/6 ő.e. SZDP, 1945.okt.24, p. 24a.
- xi ibid., p. 24.
- xii ibid.
- xiii ibid., p. 21.
- xiv ibid.
- xv MKKI, p. 2 (154).
- xvi ibid., p. 1 (153).
- xvii ibid., p. 9 (161).
- xviii ibid., p. 7 (159).
- xix ibid., p. 33-33a.
- xx ibid., p. 34.
- xxi PIL 274 f., 20./66 ő.e. MKP [Szakszervezeti o.], 1946.dec.6., p. 112.

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Hungary, 1938-48

Table 7.10 'Calory Wages' Price Index: 1946

<i>Date</i>	<i>P/calory</i>
8-14	33
15-22	74
22 Feb. - 3 Mar.	100
4-14	130
15-22	180
22-30	310
31 Mar. - 4 Apr.	360
5-14	660
15-21	1000
22-28	2000
29 Apr. - 5 May	3000
15	18000
1	93312
15	12×10^6
17-24	300×10^6

Sources: Sz. N., 14, 21, 28, Feb.; 8, 21, 28, March; 10, 18, 25, April;
1 May; MGE, 1943-6.

terms is more or less constant during a hyperinflation.





Idézet a Szabad Népből:
„RÁKOSI MÁTYÁS A FORINT APJA”



Ferenc szomszéd: Ejnye, de gyönyörű ez a 'gyerek.
Árpád szomszéd: És milyen büszke az apja.
Péter szomszéd: Pedig gyereknél csak az anya biztos...

Several well know politicians stand on the street, taking in this parade. The caption reads: "As we know, we can only be certain of the mother."

