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From Business to Central Planning: Cooperatives in Czechoslovakia in 1918–1938 and 1948–1960*

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The paper focuses on cooperatives—seen as business enterprises—in the First Czechoslovak Republic (1918–1938) and the period of 12 years after the communist putsch (1948–1960). It compares the functions of cooperatives, the limits placed on their (semi-)independent business activities, and their chances to decide for themselves in the market economy and the centrally planned economy. Drawing on the methods of business history and economic history, the study seeks to answer the following questions: 1. Were the cooperatives in the First Czechoslovak Republic really fully independent companies running their business on a free market? 2. Were the cooperatives in the Stalinist and early post-Stalinist Czechoslovakia really subordinated subjects in a centrally planned economy? 3. Are there any real connections in the functioning of cooperatives in these two eras? In other words, is it possible that something of the independent cooperatives survived and that the traditional interpretations (according to which the two eras were completely different and even contradictory) can be seen in new and more accurate ways?

Keywords: Business history, centrally planned economy, cooperatives, Czechoslovakia, economic history, free market economy, 1918–1938, 1948–1960

Cooperatives were very important economic subjects both in interwar and postwar Czechoslovakia. Their origins go back to the second half of the nineteenth century. Cooperatives played important cultural and national roles in the modernization of society, but they were not major factors in economic development or growth in the less developed regions of East-Central European countries after the 1860s.[1] In contrast, in Bohemia, Moravia, and Silesia cooperatives were key players in economic development and in the process of economic modernization. In the interwar period, the cooperative network was widespread both in cities and in smaller towns and rural settlements. The membership base reached several million, and cooperatives had enormous

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1 Lorenz, *Cooperatives in Ethnic Conflicts*, 24.

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assets. Nobody really questioned the fact that cooperatives were an important component of the Czechoslovak economy.

After World War II, the economy of Czechoslovakia was of a mixed type. It was a strongly regulated market economy in which the state authorities interfered and which had a huge share of state-owned enterprises (especially the industrial ones). The cooperatives experienced a big revival in 1945–1948, successfully finding their position in the new era. The communist coup d'état in February 1948, however, created an entirely new situation. With the centrally planned economy on the rise, the roles of the cooperatives as businesses and enterprises were significantly reduced or absolutely eliminated. Nevertheless, even in 1948–1960, the cooperatives played important roles in the Czechoslovak economy and Czechoslovak society.

According to the traditional, "classic" interpretations of the history of cooperatives (which are only rarely found in the secondary literature, as almost no serious scholarly inquiries were done about cooperatives after 1989), the cooperatives were independent enterprises which functioned in a free market without any major state or political interferences during the First Czechoslovak Republic (1918–1938). On the other hand, the period of the centrally planned economy (since 1948) has been seen as an era of absolute state dominance over the economy, in which nothing remained of the autonomy of cooperatives, which are seen as having been absolutely subordinate instruments of state economic policy.[2] I am certainly not going to question the fundamental systemic difference between the two eras. However, in this paper, I am going to ask whether this general view is entirely correct or whether one sees traces of some similarities or even continuities between these two eras. In other words, is it possible that something of the traditional, allegedly independent cooperatives survived in the Stalinist period (1948–1953) or in the early post-Stalinist period (1953–1960) in Czechoslovakia?

The choice of the two periods under comparison is based on a standard periodization of Czech economic and social history.[3] In 1918–1938, the First Czechoslovak Republic established a liberal-democratic regime (seen as liberal-democratic from the perspective of the conditions of the interwar period)

2 Hůlka, *Třicet let*; Täuber, *Dílo družstevní svépomoci*; Němcová and Průcha, *K dějinám družstevnictví*; Němcová, *The Cooperative Movement*; Němcová, *Vybrané kapitoly*; Smrčka, *Vývoj družstevnictví*. I do not draw on the secondary literature from the communist era (1948–1989) here, because its ideological character makes it useless for my research goals.

3 E.g., Průcha, "Glosses."

with a free-market economy. The Second Republic (1938–1939), following the shock of the Munich Agreement, was a very different political and economic system. The starting point of the second period is the communist coup d'état in February 1948. Although the drastic changes in cooperative policy didn't start immediately (the newly established regime obviously had to deal with other, more important problems), the putsch in February opened the way to these changes. The second period ended in 1960, when a new constitution was adopted. It stated that the process of "establishing and building socialism" had been successfully completed.[4] From the economic point of view, this statement was at least partially true, because the vast majority of property was in the hands or under the direct control of the state, and the economy was centrally planned.[5]

To answer the questions I have posed in this paper, I use traditional approaches of business and economic history. I compare the cooperative laws and principles, their organizational structure, and the forms of state control, regulation, and interference. I also use official statistical sources to analyze the important role of cooperatives in the economy. While these data have been available and published before, they have never been used to analyze the cooperative part of the Czechoslovak economy in this way.[6]

4 *Constitution*, 25, Declaration: "The social order for which whole generations of our workers and other working people fought, and which they have had before them as an example since the victory of the Great October Socialist Revolution, has become a reality in our country, too, under the leadership of the Communist Party of Czechoslovakia. Socialism has triumphed in our country! We have entered a new stage in our history, and we are determined to go forward to new and still higher goals. While completing the socialist construction of our country, we are proceeding towards the construction of an advanced socialist society and gathering strength for the transition to communism."

5 As the shortcomings of the strict centrally planned economy became more and more obvious in the 1950s, the first Czechoslovak economic reform (named after Kurt Rozsypal, the vice-director of the Central Planning Office) was started in 1958–1959. However, after the failure of the 3rd Five-Year Plan in 1961–1962, the economic system based on strict central planning was reestablished. For details, see e.g., Průcha, *Hospodářské a sociální dějiny,* vol. 2, 378–82.

6 I do not analyze the efficiency of particular types of cooperatives because this is not among the goals of this paper. Similarly, I do not compare the profitability of cooperative types, because different types had different members, goals, business strategies, etc. Finally, it would not, in my assessment, be useful to compare the profitability of efficiency criteria in the two eras under discussion, because the rules for cooperative work and the space for independent activities of cooperatives (which are the topic of this study) were drastically different.

Cooperatives in the Market Economy of the First Czechoslovak Republic

In the First Czechoslovak Republic, the cooperatives continued to grow, much as they had in the 1870s, 1880s, and 1890s (depending in part on cooperative types, as the rapid development of credit cooperatives, for instance, started about 10 or 20 years before the growth of others). The rapid prewar growth resulted in a complex network with almost 12,000 cooperatives of various types.[7]

There is broad consensus according to which the First Czechoslovak Republic met the following two criteria: it was a liberal-democratic political regime (at least in the context of Europe in the 1920s and 1930s)[8] and the economy was based on the principles of free market capitalism.[9] Thus, the new state was a sort of "playground" not only for cooperatives but also for many other types of businesses. In this playground, the cooperatives built up strong positions, as the data presented below illustrate (Table 1).

Table 1. Cooperatives in Czechoslovakia in 1937

Type	Cooperatives	Members	Assets (mil. Crowns)
Agricultural	3,861	597,156	.
Housing	691	104,590	.
Consumer	1,541	1,100,069	.
Production (Workers)	609	32,694	.
Sales and Purchasing (Traders)	229	50,283	.
Others	467	89,416	.
Non-credit total	*7,398*	*1,974,208*	*8,058,8*
Credit	*7,392*	*2,189,197*	*22,239,8*[*]
District credit [10] [**]	*656*	*471,462*	*4,828,2*
Total	*15,446*	*4,634,867*	*35,126,8*

7 There were 11,812 cooperatives in 1919/1920, of which 6,163 were credit cooperatives. The rest were non-credit cooperatives of the following types: consumer, housing, agricultural, and other. The agricultural cooperatives were furthermore very diverse in typology, providing specific services for the rural population. The most important were: 1. warehouse, wholesale, and purchase, 2. machinery, 3. electrification and powerplant, 4. cattle breeding and pasture, 5. processing and other cooperatives. For details see *Peněžní ústavy 1920*, 59, 79, 154–59, 167–68, 192; *Družstva neúvěrní 1919*, 3–219; *Zprávy státního úřadu statistického 1927*, vol. 8, 459.

8 Pánek and Tůma, *A History*, 395–434; Cabada and Waisová, *Czechoslovakia*, 26–43.

9 Průcha, *Hospodářské a sociální dějiny,* vol. 1; Kubů and Pátek, *Mýtus a realita.*

10 District credit cooperatives were a unique type that developed only in Bohemian Lands. They evolved from an ancient institution of the so-called Contribution funds. These were created by a law passed in 1788

* For Slovak cooperatives deposits instead of assets (which are not available[11])
** In 1936
Sources: *Statistická ročenka Republiky Československé 1948,* XV, 159–60, 199; *Statistisches Jahrbuch der ČSR 1938*, vol. 5, 186–87; *Zprávy Státního úřadu statistického 1937*, vol. 18, 221–24, 1104–5, 1166–67; *Zprávy Státního úřadu statistického 1940*, vol. 21, 32, 261, 507.

As Table 1 shows, the cooperatives were very important for the Czechoslovak economy. There were 15,446 cooperatives which had more than 4.5 million members. However, the number seems to be much higher because of two factors: usually, only one family member was an owner of a share in a cooperative and many people were members of more than one cooperative (e.g. a farmer might be a member of a credit cooperative and an agricultural cooperative, or a worker might be a member of a housing cooperative and a consumer cooperative). Assuming that the average family had approximately five members and that every person was a member of two cooperatives, we can estimate the real number of all "customers" or "users" of cooperatives to approximately 11.5 million people, which was more than 80 percent of Czechoslovakia's population (14,428,715).[12]

(but had voluntarily been created perhaps even as much as 100 years before that) in order for the country to be ready for a war or in case of a natural disaster. The peasants were obliged to store some amount of grain according to the law. If the grain was not used, it could be sold, and the financial gains were saved in the fund to be used as assistance for members (peasants, farmers) or as financial support in the state of emergency. In the nineteenth century, the funds were gradually transformed into district credit cooperatives (finally enshrined in law in 1882). They differed from other types a lot. First, they were subject to public law, and their capital stock belonged to municipalities instead of to members. Membership was bound to the particular estate. The goals of district cooperatives, as stipulated by the law, were to provide inexpensive credit, encourage people to keep savings, and help them obtain tools and sources necessary to run agricultural businesses. Since 1920s, the savings in district credit cooperatives were guaranteed (partially or fully) by district municipalities. Therefore, their business strategy was much more conservative than the business strategies of the other types of cooperatives (which were a lot more conservative than other financial institutions). They were very restricted in providing credit and accepting savings, for example, and they were the safest (but generally also the least profitable) financial institutions for the rural population. Basically, they were not cooperatives from their origins or by law, but they fulfilled many economic functions of credit cooperatives and had a similar manner of doing business. In accordance with the contemporary literature, we classify them as a part of the system of credit cooperatives. They were very strong, and they flourished in Bohemia, especially in districts in which the majority population was Czech (they were called District Saving Banks or "Okresní hospodářské záložny" there), while in Moravia and especially in Silesia they were much weaker and less important. See *Okresní Záložny Hospodářské 1882–1932*; Vencovský, *Dějiny bankovnictví v českých zemích*, 171; *Peněžní ústavy 1920*.

11 According to my research (which has not yet been published), the deposits and assets of credit cooperatives in interwar Czechoslovakia were almost the same (the difference was not bigger than 15 percent, and it was usually between 5 and 10 percent). The deposits of Slovak credit cooperatives in 1937 were 1,423 million crowns. That means that even if the difference between deposits and assets was 15 percent, the change of the total number would be very small, roughly 0.6 percent.

12 *Historická statistická ročenka ČSSR*, 62.

The assets controlled by cooperatives, which came to more than 35 billion crowns, were about 48.7 percent (!) of Czechoslovakia's GDP in 1937.[13]

The legislation passed by the First Republic respected the business and operational independence of cooperatives. It was based on the cooperative law of 1873, which at the time it was passed was outstanding and which remained effective until 1954. The founding of cooperatives was quite simple. The statutes had to be made and the cooperative had to be registered. The cooperative had to report all changes in statutes and all new people on the board of directors, which was elected by the general assembly, where all members could participate (directly or indirectly through delegates), vote, and be elected. The principle of voting was interpreted differently. In some cases, each member had one vote (generally in consumer cooperatives), while in others, the number of votes depended on the individual's number of shares (generally in other cooperatives). Issues of liability were different for members and for the leadership. Members had liability with all the property (cooperatives with unlimited liability) or with the sum, which was a multiple of the member's cooperative share. The sum was defined by statutes, and it was at least the same as the share. That meant that a minimum member's liability was the share plus the same sum. On the other hand, the board of directors always had liability with all their property.[14]

The cooperative law of 1873 did not regulate the business activities, property, or distribution of profits among members. These matters were subject to the decisions reached independently by each cooperative. In the subsequent decades, only one important regulation was added. The law of 1903 forced the cooperatives to submit to a financial examination every two years. The examination (called "revision") was done by state inspectors or by the cooperative union (see below).[15]

From the point of view of the state, cooperatives were seen as useful businesses which helped raise the standard of living of members of the lower social classes. Therefore, the cooperatives were subject to different taxes. While other companies generally paid 8 percent income tax, cooperatives paid only 2 per thousand tax on authorized capital yearly, which was an immensely low or, rather, de facto negligible amount. However, this tax rate applied only to

13 In 1937, the estimated GDP of Czechoslovakia was 72,2 bil. Crowns. See Kubů and Pátek, *Mýtus a realita*, 50.

14 "Gesetz Nr. 70/1873."

15 "Gesetz Nr. 133/1903."

cooperatives that restricted their business activities to members only.[16] In other words, the taxes were low if the cooperatives worked as self-help companies which provided services to their members. However, if they acted as open business enterprises and provided services for everybody, they had to pay the same taxes as regular trade companies.

This created a lot of space for clashes between cooperatives and other types of companies. As one would have anticipated, the cooperatives frequently violated this regulation and provided their services to non-members. Their business competitors often made complaints on this matter, and the Czechoslovak authorities then had to deal with these complaints. The cooperatives, however, offered a simple defense in response to these accusations. They contended that the non-members for whom they had provided services were related by familial ties to members of the cooperatives and that the rules thus had not been violated. If this argument did not work, they claimed the problem was merely a mistake which had been made by particular employees (or cooperative officials). The authorities usually accepted this defense and fined the employees, and the cooperatives then compensated the employees for the fines. Obviously, this did not solve the problem. However, it was almost impossible to prove that any particular case was the result of the deliberate action of a cooperative. Generally, the cooperatives had an advantage in such cases. Often, however, the cooperatives and other business companies had good relations and collaborated. For example, in the process of market syndicalization in the 1920s and 1930s, the cooperatives made deals with other businesses to divide the markets.[17]

The organizational structures of the cooperatives were very complicated and hardly transparent in the First Republic. As early as the 1890s, the cooperatives had founded central cooperative unions to represent and advance their interests. Various unions existed even before 1918, and their numbers increased in the interwar era. Four important factors divided the cooperative movement:

1. Some cooperatives were organized on a professional basis, e.g., the cooperative of Živnostenská banka's (the biggest bank in Czechoslovakia) employees. Such cooperatives usually joined apolitical cooperative unions.

16 "Zákon č. 76/1927 Sb.," § 68, 75, 83.

17 SoaPraze, Krajský soud obchodní, podnikový rejstřík, Družstvo hospodářských lihovarů pro prodej lihu v Praze, Protokol zápisu z valné hromady Družstva hospodářských lihovarů, 22. 6. 1931. The deal from 1928 between cooperative and non-cooperative distilleries divided the market in a ratio of approximately 46:54. In 1931, the ratio changed to about 53:47. Moreover, both sides declared that even in the case of state intervention, they promised each other internally to respect this ratio.

2. In the multinational state of Czechoslovakia, the national cleavage was important in most advocacy (pressure) groups, including labor unions, as well as in the cooperative movement. Czech, Slovak, German, Hungarian, Polish, and Ruthenian cooperatives therefore joined particular unions defined by the nationality (language) of their members.
3. Some cooperative unions consisted of only particular types of cooperatives. As a result, there were exclusive cooperative unions, e.g., for traders' cooperatives.
4. Finally, the cooperative unions were often components of a bigger framework of pressure groups led by political parties. Every important political party organized one or more cooperative union. This was typical for Czech, Slovak, and German cooperatives. In contrast, smaller national groups in Czechoslovakia did not split their strength and organized their cooperatives almost exclusively on the national principle.

There was a total of 85 (!) cooperative unions in Czechoslovakia in 1935 as a result of this diversity.[18] The most important were the party-oriented ones. Of the 16,832 cooperatives, 13,399 (approximately 80 percent) were members of only eight of the biggest party-oriented unions (of the Czech and German social-democratic, Czech national-socialist, and Czech and German agrarian parties).[19] We can assume that other party-oriented unions had a very significant share of the other cooperatives as members.[20]

The influence the political parties exerted over cooperatives was therefore quite extensive. However, there is no hint in the archival sources or in the secondary literature so far indicating that the cooperatives were submitted to any significant influence by the political parties in an entrepreneurial way. Their business strategies remained independent.[21] However, the political parties often appointed their officials to leadership positions of big cooperatives or cooperative unions (these officials had to be elected by general meetings, which was not a problem because of the connections between the cooperative/union and the

18 *Zprávy Státního úřadu statistického 1937*, vol. 18, 785.

19 *Zprávy Státního úřadu statistického 1937*, vol. 18, 515, 786–89.

20 The structure of cooperative unions changed very often. They were merging and splitting, and their names were not stable. On the basis of the existing secondary literature, it is not possible to identify all the unions which cooperated with political parties. This subject is the focus of a scientific project currently underway.

21 Even in the case of the communist cooperative Včela the Communist party did not directly interfere in its economy and business strategy. See SoaPraze, Krajský soud obchodní, podnikový rejstřík, Družstvo Včela , Protokoly zápisů valných hromad Družstva Včela.

party). Among the members of the union leadership bodies (boards of directors or control boards), we often find senators, members of parliament, or even ministers, as well as important individuals with considerable public influence. Moreover, sometimes even the lower posts in cooperatives and unions were given to people who were close to the party's leadership (their relatives or friends).[22] These people were "rewarded" by the party through "good jobs" in cooperatives (much as the party's VIPs were "rewarded" by being given posts on the board of directors in companies or high official posts in public administration). Indeed, giving (and taking) such "sinecures" was believed to be "normal" practice (or at least usual practice) in the First Republic.

There was, however, one more way for political parties to influence and even directly use the cooperatives. The cooperatives sometimes provided organizational and even financial support for a party's (or its satellite organizations') events. Once again, the research on this topic began only a year ago, but some particular findings have already been made. For example, the consumer cooperative Včela (the biggest cooperative in interwar Czechoslovakia, running its business in Prague and Central Bohemia and, after 1929, under the direct influence of the Communist Party) provided the communist "mass" organizations (such as a labor union, a sports union, a youth union, etc.) with more than 700,000 crowns (approximately 0.5 percent of its yearly retail sales) in the single business year of 1931–1932 (i.e., in the middle of a deep economic crisis!).[23] When the parties did not influence the cooperatives' businesses directly, they were nonetheless able to hinder their profitability (and thus influence their business strategies) indirectly.

The free business activities of cooperatives were limited in one more way. The unions (most probably regardless of their political profile, i.e., the apolitical cooperatives included) were aware of the fact that the cooperative network was sometimes too dense and that cooperatives were fighting one another. The unions tried to regulate the cooperatives, forcing them either to merge or to respect one another's areas. Thus, they created de facto cartels.[24] While this was definitely useful for smaller and less effective cooperatives (which were then

22 For example, in the archival fund of the cooperative union "Ústřední jednota českých hospodářských družstev úvěrních Brno" [Central Union of the Czech credit and agricultural cooperatives in Brno] one finds various letters by important officials of the People's Party (to which this union was tied) asking for assistance finding jobs for their relatives or VIPs. Moravský zemský archiv v Brně, H 288 Korespondence svazu z let 1936–1937.

23 Slavíček, *Spotřební družstvo Včela*, 110.

24 For the rules of cartelization in consumer cooperatives and its possible impacts compare Škatula, *Dvacet let*, 93; Slavíček, *Spotřební družstvo Včela*, 93–94.

protected against competition), for the bigger and more effective cooperatives, it was a restriction. The syndicates were quite usual in Czechoslovakia in the 1930s.[25] The cooperative market was no exception in this way. On the other hand, this was still more a regulation than it was a means of controlling the cooperatives, which remained fully independent enterprises in other ways.

Cooperatives in the Centrally Planned Economy of the Stalinist and the Post-Stalinist Czechoslovakia (1948–1960)

The communist coup d'état in February 1948 marked the beginning of the 41 years of communist dictatorship in Czechoslovakia. Drastic changes in the economy started almost immediately. The mixed economy of the Third Republic (1945–1948) was replaced with a centrally planned one after 1948. The period between 1948 and 1953 saw the introduction of the first five-year plan, during which the Czechoslovak economy was increasingly transforming into a Soviet model (with the closest match coming in 1953–1958, when the new planning system, inspired heavily by Soviets, was introduced, according to which the whole economy was seen as a single "super-company").[26] This meant the drastic restructuring of Czechoslovak economy and society. Heavy industry (especially machinery, including the arms industry) was highly prioritized, and the primary and tertiary sectors were suppressed or not addressed at all. The whole economy was "nationalized" or "socialized." Owners were expropriated and were given no compensations (indeed, they were often criminalized). Society started to be seen from the point of view of hereditary class struggle.

In this new context, the "playground" for cooperatives in communist Czechoslovakia in 1948–1960 had the following characteristics: 1. It was a totalitarian regime (although it got a little "softer" after 1953, especially regarding the intensity of terror as a practice used by the police state).[27] 2. The economy was of a Stalinist centrally-planned type. Despite the slight "liberalization" of the political regime after 1953, Stalinist central planning in the economy survived in its most rigid

25 Průcha, *Hospodářské a sociální dějiny,* vol. 1, 277–85; For syndicalization in partial sectors of the economy see e.g., Minařík, *V národních barvách*, 294–97, a recent publication by Tomáš Gecko, *Nástroj prospěšný, či vražedný?*

26 Průcha, *Hospodářské a sociální dějiny,* vol. 1, 378.

27 There is no agreement in the Czech secondary literature concerning the paradigm of totalitarianism. However, most authors (excluding those who reject this paradigm categorically) agree that at least until the 1960s, the Czechoslovak regime was of a totalitarian type. See e.g., the monothematic issue of *Soudobé Dějiny* (Czech Journal ofContemporary History): "Existoval v českých zemích totalitarismus?"

form until 1958.[28] However, after the monetary reform and the subsequent riots and strikes in June 1953,[29] the "New Course" in the economy was announced. The most violent practices were brought to a halt and emphasis shift to some extent from heavy industry to light industry (including consumer products). After 1955, with the start of the second five-year plan (1956–1960), the "New Course" was abandoned, and the new wave of heavy industry build-up began.[30]

Table 2. Cooperatives in Czechoslovakia in 1937 and 1946

Type	1937		1946	
	Cooperatives	Members	Cooperatives	Members
Credit	7,392	2,189,197	5,002	1,609,323
Agricultural	3,861	597,156	3,571	794,000
Housing	691	104,590	465	77,507
Consumer	1,541	1,100,069	1,439	1,057,548
Production (Workers)	609	32,694	539	40,355
Sales and Purchasing (Traders)	229	50,283	327	80,032
Others	467	89,416	325	110,572
Total[31]	*14,790*	*4,163,405*	*11,668*	*3,769,337*

Sources: Zprávy Státního úřadu statistického 1940, XXI, 507; *Statistická ročenka Republiky Československé 1948,* XV, 159–60; Smrčka, *Vývoj družstevnictví*, 211.

If we want to analyze the quantitative development of cooperatives in 1948–1960, it is worth pausing for a moment to consider their situation in the Third Republic (1945–1948). While the cooperatives were more or less suppressed and restricted during the period of Nazi occupation (1939–1945), in the Third Republic, they experienced a new revival. Their typology was very similar to the typology of the cooperatives in the prewar era. The most important figures in 1937 and 1946 are in Table 2. While the other cooperative types remained approximately at the same numbers, the number of credit cooperatives dropped substantially. Taking into account the drastic decline in the Czechoslovak population in 1939–1945 (ca 20 percent),[32] the situation seems reversed: in the

28 Průcha, *Hospodářské a sociální dějiny,* vol. 2, 378.

29 Jirásek and Šůla, *Velká peněžní loupež*.

30 Průcha, "Glosses," 70.

31 Without district credit cooperatives, therefore the numbers differ from Table 1.

32 According to the official estimations, the population of Czechoslovakia reached 15,186,944 in 1935 and 12,164,661 in 1946. The reasons for the decline were obviously the losses in the war and the loss of the territory of Ruthenia, though the most significant cause for this drop in population was the forced

relative numbers, the strength of credit cooperatives was about the same, while the other types of cooperatives (as well as the whole cooperative movement) were significantly better off.

Inspired heavily by developments in the USSR in the 1930s and 1940s and sometimes under the strict influence of Soviet "advisors,"[33] the roles of cooperatives had fundamentally changed during the few years after the communist putsch. Their traditional business, cultural, educational, and other roles were suppressed or even eliminated. The typology of cooperatives was reduced drastically. Credit cooperatives were "nationalized," restricted in development and activities, and finally dissolved as part of the monetary reform of 1953. The broad variety of agricultural cooperatives was destroyed and only one type existed. The new collective farms ("United Agricultural Cooperative," Jednotné zemědělské družstvo, JZD) focused on collective production and served as a crucial tool in the "collectivization" of businesses run by private farmers. Housing cooperatives survived, but they were submitted to strict state control, and any autonomous business activities were strictly forbidden. Consumer cooperatives seemed to grow, but this was an illusion created by the "socialization" of private traders and businesses. Their activities were fully controlled by the state. Production (workers) cooperatives were growing, due not only to the support of the state but also to the "socialization" of craftsmen. Sales and purchasing cooperatives were mostly dissolved, and those that remained were integrated into consumer or workers' cooperatives. The same was the fate of the last group of "other" cooperatives.

As a result of these changes, generally, only four types of cooperatives existed in communist Czechoslovakia: collective farms, consumer, housing, and workers' cooperatives. Based on the quantitative parameters only, the cooperative system seems to have remained relatively stable. The numbers of cooperatives and of their members in 1966 did not differ dramatically from the numbers in 1946 (Table 3).[34] Moreover, if we take the dissolution of credit

displacement of German (and some of the Hungarian) population after the war. *Statistisches Jahrbuch der ČSR 1938*, V, 21; *Statistická ročenka Republiky Československé 1948, XV,* 19.

33 The influence of (outdated) Soviet models can be demonstrated clearly for consumer cooperatives or collective farms in 1950s. The roles of Soviet advisors were analyzed in the 1990s in the secondary literature. See Slavíček, *Ze světa*, 69–72; Swain, "Eastern European Collectivization Campaigns Compared, 1945–1962"; Kaplan, *Sovětští poradci v Československu 1949–1956*; Janák and Jirásek, *Sovětští poradci a ekonomický vývoj,* "K příchodu."

34 Statistics of cooperatives were no longer published after the communist putsch in 1948. The first available statistics (regarding the current state of research) are from 1970 and refer to 1966. It is probable

and traders' cooperatives into account, the other types of cooperatives seemed to have been growing. However, this growth was mostly artificial and therefore illusory. Hundreds of thousands of people (or maybe millions) did not join the cooperatives voluntarily. They were more or less forced to join, either to avoid being persecuted or accused of a crime or to have a better chance of keeping the rest of their property. Some people were violently forced to join cooperatives during the "collectivization" of agriculture (the creation of collective farms) and "socialization" (a de facto expropriation) of small businesses.

However, recent research has revealed that a traditional paradigm according to which the cooperatives were helpless victims which were forced by the regime to participate in "socialization" of private property is not entirely accurate. At least in the case of consumer cooperatives, some of them were very active in this process, sometimes even more active than one would have expected.[35] It is plausible that the situation in workers' and housing cooperatives could have been similar. After all, the cooperatives were traditional competitors of private businesses, and as noted above, relations between the cooperative and private business ventures were often near to hostile. It is possible (and probable) that many members of cooperatives may have felt that the process of "nationalization" and the creation of a socialist society represented a "final" and well-deserved victory (the fact they were wrong and the cooperatives would not be able to function as independent businesses under the new regime is another matter).

Table 3. Cooperatives and their members in Czechoslovakia in 1946 and 1966

Type	Cooperatives	Members	Cooperatives	Members
	1946		1966	
Consumer			105	1,885,498
Workers			421	149,123
Housing			2,410	312,410
JZD			6,464	866,381
Total	*11,668*	*3,769,337*	*9,400*	*3,213,412*

Sources: Jelínek, *20 let JZD*, 50; Archiv Muzea družstevnictví, Družstevní asociace ČR, Statistická ročenka Ústřední Rady Družstev, 1970.

that the figures did not change significantly in between 1960 and 1966, and it is therefore reasonable to use the statistics from 1966.

35 Slavíček, *Ze světa*, 212–25.

The cooperative legislation was based on two laws. The first was the law about collective farms (JZDs) from 1949, which separated the agricultural cooperatives from other types for four decades. The most important goals of the JZDs were to contribute to the fulfillment of the central economic plan and to unite the lands of individual farmers.[36] The law about "people's cooperatives" from 1954 annulled the law from 1873 and created a new basis for cooperative activities. The goals of the cooperatives were now primarily to help build socialism and raise the living standards of the members of the cooperatives and all "working people." Their activities were put under the strict control of the state, including the obligatory division of profits (not primarily among members).[37] These two laws clearly show the communist perception of the functions of the cooperatives: They were not seen as businesses, but as tools in central planning and a new social and economic policy.

The organizational structure of the cooperative movement was extremely simplified during World War II, and only a few cooperative unions remained in operation.[38] After the communist coup d'état in February 1948, these unions were dissolved, and all cooperatives were subordinated to the Central Cooperative Union (Ústřední rada družstev, ÚRD).[39] In the subsequent years, the consumer cooperatives were forced to abandon cities (and sell products only in smaller towns and rural areas), and their organizational structure after 1956 followed the administrative division of the country (districts or *okresy*). This is why, by 1966, there were only 105 huge cooperatives. Similarly, the traditional small workers' cooperatives were forced to fuse into conglomerates (although not district-based). In contrast, the collective farms originally created were often too small and therefore in many cases not sustainable. Bigger collective farms were founded, either by founding new farms or by merging several cooperatives into one, but only after 1955.[40] This meant that the organizational structure was

36 "Zákon č. 69/1949 Sb.," § 1–2.

37 "Zákon č. 53/1954 Sb." § 1, 28–31.

38 A total of five cooperative unions were founded in the Protectorate Bohemia and Moravia in 1942 (two of these unions were for agricultural cooperatives, separately for Bohemia and Moravia). All of the traditional unions were dissolved, and all cooperatives had to join these new unions. A new top institution, the Central Cooperative Union (Ústřední rada družstev, ÚRD), emerged in May 1945. Formally apolitical, it was dominated by the Communist Party. Although the ÚRD was not confirmed by law until spring 1948 (i.e., until after the February putsch), it was de facto accepted as a top representative of all cooperatives in Czechoslovakia. See "Vládní Nařízení č. 242/1942 Sb."; Slavíček, *Ze světa*, 52–56.

39 "Zákon č. 187/1948 Sb.," § 12.

40 Smrčka, *Vývoj družstevnictví*.

artificial, without any trace of a free development. In other words, the structure was crafted by the state/regime in the hopes that the new cooperatives would be able to fulfill their new roles.

It took the new regime some time to consolidate after 1948. Once it had done this, it started to reorganize the economy into a centrally planned one (as mentioned above). The room for independent or autonomous business activities of cooperatives was quickly shrinking. After 1950, there was generally no room left at all. The cooperatives became state-controlled instruments of the centrally planned economy. They could not plan even the simplest activities on their own. Moreover, they became part of a system of political indoctrination. In 1948–1953, almost all decisions were made on the basis of the state ideology. The "old" leaders were removed, and the new ones were installed into the cooperatives. The most important qualification of these new leaders was not expertise. It was membership in or loyalty to the Communist Party.[41] The productivity and profits of cooperatives suffered a drastic setback, and the situation only began to improve since the 1960s.

There were several reasons for the destruction of cooperatives as independent enterprises. First, central planning was supposed to work better than the market economy (this proved an illusion, of course). Second, independent businesses were elements of the capitalist world, which the communist regime claimed to have "defeated." Third, profit and effectiveness (fundamental for traditional business strategies) were no longer important economic factors. Instead, production was crucial. There was, however, at least one more reason that is often overlooked in the secondary literature. The reason was the practical application of the communist ideology. The cooperatives (as well as all other companies) were submitted to central planning not only in their activities. Importantly, the plan also expected them to be only marginally profitable. The regime did not want highly profitable companies, since according to communist ideology, profits would only have created a new "bourgeoisie," i.e., a new class enemy.

Even in rare cases when the old leadership of a cooperative could have kept its position or the new leadership consisted of experts, this leadership quickly found itself struggling with the bureaucratic system of central planning, which was dominated by ideology. Despite their expertise and arguments, the leaders

41 Slavíček, *Ze světa*, 295–302; On the general problem of the lack of expertise among the communist "cadres," see Jančík and Kubů, "Zwischen Planbefehl und Markt," 97.

lost the disputes and had to comply. The best they could have achieved was to delay some of the decisions that were extremely disadvantageous for the cooperative (and this was possible only if the leaders were important members of the Communist Party and therefore had a strong "political background").[42]

On the other hand, it is plausible that cooperative leaders were trying to find some new "quasi-business" strategies, for instance cooperating with other companies, to get better ("softer," i.e. based on lower figures) plans for the cooperative, etc. This "quasi-market behavior" was quite common in industry, and some of the cooperatives may have used these kinds of schemes too. However, the secondary literature has not yet turned up any sources buttressing this assumption. To summarize, the cooperatives in the first decade of the communist regime were no longer independent businesses. On the contrary, they were de facto instruments of the state-controlled, centrally planned economy. Basically, they were no longer cooperatives. They had the legal form of cooperatives and were called so, but they had almost nothing common with traditional cooperatives. To the extent that there were exceptions, these were little more than oversights or individual gaps in the system.

Conclusions

In 1948–1960, the "playground" for cooperatives in Czechoslovakia was extremely different than it had been in 1918–1938. In the First Czechoslovak Republic, cooperatives were independent businesses which freely chose their business strategies. They experienced continual growth and their economic power was enormous. Their organizational structure was independent of the state and was therefore complex and even chaotic (over 80 cooperative unions existed in the 1930s). In contrast, after the communist coup d'état in February 1948, the cooperatives were not only subjugated by the state but became state-controlled instruments in a drastic restructuring of the economy and society. They were submitted to the centrally planned economy, which left no room for independent business activities.

The general description given above is no doubt valid in broad strokes. However, when seen from a closer view, the situation of cooperatives looks a little more diverse. First, the cooperatives in the First Czechoslovak Republic were under the strong influence of political parties, which sometimes forced

42 Slavíček, *Ze světa*, 270–76.

them to support their activities (which created costs for cooperatives). Second, the cooperative unions tried to restrain the cooperatives' areas, thus forcing them to establish some sorts of cartels (or better, syndicates). While this offered some protection for the weaker and less profitable cooperatives, the successful ones were limited in their activities (they could nevertheless always leave the union). And third, it is possible that even in the Stalinist era of 1948–1953 there was some very limited room for cooperatives, in which they could develop some sort of "quasi-market" business strategies of an informal character. However, there is no doubt that this room was very small, and trying to function in these "gaps in the system" was very risky. Further research will perhaps reveal the extent and limits of these activities.

One conclusion is undeniable: though there were some restrictions on cooperatives in the First Republic and there was also some (limited) room for autonomous actions by cooperatives after 1948, the economic and political systems in which they functioned in these two periods were qualitatively different. The cooperatives after 1948 were no longer free businesses. They were "socialist enterprises," or in other words, tools of centrally planned production, trade, and agriculture, which were organized and controlled by the totalitarian state.

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Practices of Creative Disobedience: A Key to Economic Success in Socialism? A Case Study of a Hungarian Agricultural Cooperative

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In this article, I examine the fate during the decades of socialism in Hungary of the agricultural company Árpád-Agrár Ltd. of Szentes, which which has flourished up to the present day. Its predecessor, the Árpád Mezőgazdasági Termelőszövetkezet (Agricultural Producer Cooperative), was established in 1960, during the last wave of collectivization. Most members were gardeners who specialized in a Bulgarian type of horticulture.
One of the central questions in my inquiry is how individual gardeners' best practices were preserved and further developed within the structure of a socialist cooperative. I also consider how the Árpád Cooperative used the economic reforms of 1968 to expand its market-share.
In my analysis of the successful transfer of knowledge and processes of adaptation, I devote particular attention to the human factor, taking into consideration both the changing relationship between the leadership and the membership of the cooperative and the formation of a class of managers who had had experiences in the West and had a more open-minded mentality. These factors offer a possible explanation as to why this agricultural community chose the organizational form of a cooperative at the time of the change of the political regime and was transformed into a public limited liability company only a decade later.

Keywords: Hungary, socialist cooperatives, horticulture, adaptation, bottom-up initiatives, agrarian lobby, market reforms, innovation

Árpád-Agrár Ltd. in Szentes is considered one of the national leaders in Hungary in the production of cocktail tomatoes and peppers as well as in the growing of seedlings. Vegetable cultivation is based on renewable energy and the utilization of thermal water and cutting-edge technology. For the purpose of protecting plants, the use of chemicals has been replaced with the use of organic materials.

Immediately after entering the company's office in Szentes, one notices the certificates, awards, and diplomas from every decade of the enterprise's existence decorating the walls. The earliest are from the 1960s, from the time of the Árpád

Mezőgazdasági Termelőszövetkezet (Agricultural Producer Cooperative).[1] The current company views the Cooperative as its predecessor both from the legal perspective and from the perspective of historical continuity. The commitment to this continuity is reflected in the way both the 50th and 60th anniversaries were celebrated.

In this paper, I focus on the socialist period of the company's history. I begin with a discussion of how "socialist" the Árpád Cooperative really was. How did individual farmers dealing with intensive horticulture and production for the market fit into a socialist-type large-scale organization which at the time was essentially unknown in the world of Hungarian agriculture? I also consider how the Cooperative used the economic reforms of 1968 to expand its market. I make use in my analysis of the official documents of the Árpád Cooperative as well as the press and oral sources.[2]

Historical Background

The roots reach back to 1875, when Bulgarian gardeners moved to Hungary, or more specifically to the estate of the Count László Károlyi, where they founded a farm of roughly 15 hectares (ha).[3] The Bulgarians made sure to settle alongside natural waterways. The major elements of the Bulgarian-type of gardening were the following: careful choice and arrangement of plants, protection against frost, use of hot-beds for seedlings, raised beds for growing, continuous irrigation, and soil treatment. Using these methods, the settlers and their descendants were able to get their vegetables to market before other producers, which led to significant profits.[4]

Most of the labor was handled manually. For periods of planting, hoeing, picking, and preparation for market, the Bulgarian gardeners hired seasonal

1 The academic literature on collectivized agriculture uses both the term collective farm and the term cooperative. In this paper, I use the term cooperative. The full translation of *termelőszövetkezet* is producer cooperative, emphasizing the difference from cooperatives for consuming or assessing credits. In this paper, the term cooperative should be understood as producer cooperative.

2 The archival materials of the Árpád Agricultural Cooperative are still in the company archives. Thanks to the excellent archivist work of Dr. Edit Takács, the files are arranged according to each predecessor: Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative, Árpád Agricultural Cooperative, Árpád Cooperative, Árpád-Agrár Ltd. The archival references in this paper first give the predecessor's name, then the box number, and finally the title and date of the document cited.

3 Mód, "Bolgár kertészek Szentes környékén," 27–30.

4 Boross, "Bolgár és bolgár rendszerű bolgár kertészetek Magyarországon"; Bódi and Savova, "A bolgárkertészek Magyarországon."

laborers. More and more of these laborers learned these unique methods, and over time, vegetable growing in Szentes began to resemble Bulgarian horticulture more and more. Between the two World Wars, specialization became advanced. The production of green peppers and early cabbage varieties came to the fore, and the comparatively small gardens (1–1.5 ha) could produce significant incomes for various families. Before World War II, more than 700 families in Szentes produced vegetables for market distribution.[5]

In this region, the land reform of 1945 did not cause significant restructuring, as there were no large estates to divide.[6] The situation of the local society remained much as it had been between the two World Wars. On the one hand, there was a group of small-plot, market-oriented gardeners, while on the other there was also the continued presence of a large group of landless agricultural laborers.

In the second half of 1948, the forced organization of cooperatives began, based on the Soviet model.[7] In socialist agriculture, the place of individual farmers was taken by large-scale plants *(sovkhozes, kolkhozes)* which were based on collective production. As such, the planned economy, based on mandatory plan targets, was spread to agriculture. The compulsory delivery system and policy of price control ensured that the producer (the farmer) kept less and less of the profits made from the product. This was the antithesis of how the specialized gardeners of Szentes, who produced for the market, farmed. It is not surprising that they did not want to give up individual farming for a collective farming. The other significant section of local society, the landless agricultural laborers, took a different view. They saw the cooperatives as an employment opportunity and thus were the major social basis of the emerging world of socialist agriculture. The first cooperative in Szentes was founded in 1948, largely with the participation of prisoners of war returning from the Soviet Union, which is why it was named "Kalinin."[8]

5 Takács, "Adatok."

6 Belényi, "Az alföldi agrárvárosok," 126–32.

7 Ö. Kovács, "The Forced Collectivization," 211–21.

8 Mikhail Ivanovich Kalinin was a Soviet revolutionary. The names of later agricultural cooperatives often bore the names of heroes of both the Soviet and Hungarian communist movement. The political radicalism of the poor peasant membership was also reflected in the names like Red Flag, Red Star, Red Dawn, Liberation, etc. The local press *(Viharsarok)* regularly reported on these cooperatives.

At the beginning of the process of forced collectivization, the leadership of the Hungarian Communist party[9] was of the view that three to four years would be enough to force the Hungarian peasantry into socialist agriculture. Due to the resistance of the peasantry, neither the first (1949–53) nor the second (1955–56) collectivization campaigns reached the target goals.[10] After the suppression of the 1956 revolution, in its efforts to consolidate its hold on power, the Kádár government abandoned compulsory deliveries and halted the second collectivization campaign. A large portion of the peasantry took advantage of the opportunity to leave the collective, and the number of cooperative members decreased from 343,000 to 119,000.[11]

While most of the peasantry was leaving the cooperatives at the turn of 1956–57, the gardeners of Szentes decided that they would form a genuine cooperative. On January 27, 1957, 68 gardeners in Szentes established a *szakszövetkezet* (a sort of cooperative).[12] This form of cooperation was quite different from the Stalinist model that was being promoted.[13] The new enterprise brought together its members mainly in the areas of sales and purchasing but allowed them to continue pursue their work in horticulture individually. The gardeners of Szentes quickly responded to the new situation, in which they were no longer obliged to make compulsory deliveries of their agricultural products. Thus, the market economy made a partial reappearance in one of the major branches of the Hungarian economy. The gardeners of Szentes hoped to profit directly from these widening market opportunities without having to rely on purchases by state bodies.

After three successful years, however, the members felt that the cooperative was enjoying less and less political support, especially after the third collectivization campaign was launched in early 1959. After lengthy debates, the best path forward seemed to be to transform the cooperative into an agricultural producer

9 The name of the communist party in Hungary changed several times. Between 1945 and 1948, it was the Hungarian Communist Party (MKP). Between 1948 and 1956, it was the Hungarian Workers' Party (MDP). After 1956 and until its fall in 1989, it was the Hungarian Socialist Workers' Party (MSZMP).

10 Varga, "Three waves of collectivization."

11 MNL OL M-KS-288. f. 28/1957/1. ő.e. (This abbreviation – ő.e. – refers to the so-called "őrzési egység," which was the smallest unit in the archival system of the party records.) Memo on the situation of the agricultural cooperatives and their problems, January 10, 1957.

12 ÁAI, Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative. Box nr.1. Minute of the founders' meeting. January 27, 1957.

13 Chris Hann devoted his book to specific type of Hungarian cooperative model which emerged mostly in regions dominated by vineyards, orchards, or horticulture. In his book, which was written in English, he retained the use of the Hungarian term szakszövetkezet. Hann, *Tázlár*.

cooperative.[14] The decision was made at the general meeting of January 27, 1960.[15]Although they could have joined another existing cooperative, as more than ten had been established in Szentes by this point, they decided to establish their own. This made it possible for them to choose their own leadership and keep control over several other essential issues. The investments of the post-1957 period were not lost, as they were transferred to the collective property of the new cooperative. 78 percent of the members of the earlier cooperative joined the Árpád Agricultural Cooperative.

What was behind the Socialist Facade?

When establishing the cooperative, one of the most important tasks was to prepare the charter laying out the ground rules, which were based on the Soviet kolkhoz legal form.[16] For example, the members were obliged to manage their production tools and livestock in a collective form. Another mandatory element was collective labor in the form of brigades and smaller work groups. The cooperative members were given "work units" in exchange for their labor. The "work unit" served as a means of quantifying labor and the foundation of remuneration.[17]

During the first two collectivization campaigns in the 1950s the Hungarian cooperatives were given a model legal framework (charter) all the points of which were mandatory. On the eve of the third collectivization campaign, the Ministry of Agriculture published a model charter which functioned only as a guideline for basic rules, so it provided a degree of flexibility.[18] For example, it recommended the Soviet "work unit" system as the most advanced form of

14 These debates were reflected in the minutes of the general meetings. ÁAI Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative. Box nr.1. Minutes of general assemblies, December 20, 1959, January 3, 1960.

15 ÁAI Árpád Agricultural Cooperative. Box nr.1. Minutes of the statutory meeting, January 27, 1960.

16 Davies, *The Soviet collective farm,* 131–70.

17 The brigade leaders kept written records in the "work unit" book of how many "work units" a member had earned for work done in the course of the year. At the end of the economic year, the member would be given a share of the cooperative's income on the basis of this written record. To be more precise, wages were only divided among the members of the cooperative after the cooperative had met its obligations to the state. For a detailed discussion of the problems and failings of the "work unit" system, see Swain, *Collective Farms,* 42–44.

18 Varga, *The Hungarian Agricultural Miracle,* 127–29.

remuneration, but this could be combined with alternative forms of payment. There was also some flexibility concerning household plots.[19]

The membership of the Árpád Cooperative in Szentes took advantage of this opportunity and enacted 14 modifications when writing its own charter.[20] My interview subjects often repeated the words of the former cooperative president László Szabó: "When one can see he needs new clothes, it is best to go to the tailor and have some custom made rather than simply acquire one-size-fits-all, as whatever you get off the rack, it will either be too loose or too tight."[21] László Szabó himself was a successful and respected gardener, and he thus knew that this branch, which required exceptional attention and expertise, could not be transformed overnight into a completely foreign and unknown labor organization.

What did this mean in practice? The Árpád Cooperative organized mandatory labor brigades, but the members continued to work individually in their own gardens and conducted sales collectively. There was thus no labor supply issue for the cooperative, as members could bring in family members who were not members of the cooperative. The so-called family-farmed horticultural brigade was directed by a respected local gardener, Imre Kotymán. The form in which labor was organized was not the only thing which was adjusted to local farming traditions. Remuneration was also revised, integrating the logic of sharecropping, which created clear incentives.[22]

As part of the efforts to adjust to the main profile of horticulture, an unusual set of regulations was worked out for household plots. Members could choose to request a maximum of 0.5 ha of arable land per household plot. A fraction or complete area of this could be used for gardening, and in these cases, the household plot was calculated based not on area but instead on the number of hot-beds. It is also worth mentioning that the cooperative established a bare minimum number of labor units per household when measuring eligibility.[23]

19 A cooperative member was permitted to maintain ownership of a household plot not more than 0.57 ha in size. A household was also permitted to have a specified number of livestock.

20 ÁAI Árpád Agricultural Cooperative. Box nr. 1. The model charter of the Árpád Cooperative, 1960.

21 Author's interview with Miklós Csikai, March 12, 2019. Author's interview with Sándor Márton, August 23, 2019.

22 Ferenc Erdei, who was one of the defining personalities of the agrarian lobby, published an article on the incentive system of the Árpád Cooperative. Born in Makó, during his visits home, Erdei regularly stopped at the Árpád Cooperative. Erdei, "A Szentesi Árpád Tsz," 41–42.

23 Ibid. 43.

In order for the cooperative to be able to adopt this outwardly socialist but inwardly (in terms of several of its elements) individual horticulture system, it had to have the approval of both the city and county party leadership. This was especially significant given that the cooperative president was not a member of the Communist party. The party secretary of Szentes, Sándor Labádi, had a key role. He was present at the cooperative's general meetings and took a proactive part in the debates.[24] With the knowledge he gleaned here, he was able to convince the higher authorities that these local initiatives were not concessions which would allow old-time peasant lifestyles to continue but rather were measures which would contribute to the transformation of the economy. Such local initiatives made continuity in labor-intensive vegetable production possible, and this served the interests of consumers in the cities.[25]

The reason this line of argument worked was that the same approach was being announced at the time at the national level of agricultural policy by the members of the agrarian lobby centered around Lajos Fehér (Ferenc Erdei, Imre Dimény, Ernő Csizmadia, etc.).[26] They supported grassroots initiatives that improved the individual incentives of cooperative members and in turn ensured growth in production. Erdei's research institute, the Research Institute of Agricultural Economics of the Hungarian Academy of Sciences (in Hungarian, Agrárgazdasági Kutató Intézet, or AKI), had been following and analyzing changes in the local practices of remuneration and work organization for years. Based on their studies, Fehér and his group convinced the political leadership to accept these local initiatives in spite of the fact that most of them deviated from the kolkhoz Model Charter. Thanks to the successful mediation between the party leadership and the peasantry, in the first half of the 1960s, more and more local initiatives were transferred from the category of "forbidden" to the category of "tolerated," and this significantly widened the scope of action for cooperatives.[27]

In this atmosphere, after the initial difficulties of the transformation, the leaders of the Árpád Cooperative began to consider the idea of large-scale horticulture. Initially, this was tested only on a restricted area, because they had

24 ÁAI Árpád Agricultural Cooperative. Box nr. 7. Minutes of the management meeting, 1960–1965.

25 See the article written by the first secretary of the MSZMP in Szentes district. Márton Kurucz, "A zöldségtermesztés nagyüzemi fejlesztése," *Pártélet,* 8 (1963) 2: 72–79.

26 Lajos Fehér had joined the illegal communist movement as early as before 1945. It was at that time that he formed a close relationship with post-1956 party leader János Kádár. Between 1957–1962, Lajos Fehér was the head of the Agricultural Department of the MSZMP's Central Committee. After 1962, as Deputy Prime Minister, he oversaw agriculture. See more on his network: Papp, *Fehér Lajos,* 295–314.

27 Varga, "Agricultural Economics."

difficulty convincing twelve people to work on a trial basis for a year. However, the first year produced such impressive results that in the following year large-scale horticulture was implemented on a far bigger area. The expanding area provided ever more opportunities for the use of machinery. The seedling planting tractor and a modern irrigation system became cost-efficient when used on large territories.

As an effect of the improvements in production and higher earnings, large-scale horticulture became increasingly attractive over the course of the next several years. The 60-person brigade was formed into a well-integrated collective. The wisdom of the cooperative leadership is reflected in the fact that they did not try at the same time to eliminate the family-farmed horticultural brigade. In fact, they even offered support to expand it (more land, irrigation systems, etc.). This group also became more efficient and remained an independent labor organization unit within the cooperative. The two vegetable-producing units recorded their costs and production results separately (i.e. independently of each other), but they competed with each other in production and development. The minutes of the leadership meetings indicate a spirit of competition which motivated both units and led to increasingly impressive results.[28] In 1964, the Árpád Cooperative began regularly to win prestigious national awards. These awards included prizes won at the National Agricultural Fair for products like peppers, kohlrabi, tomatoes, etc. as well as recognition given by the Ministry of Agriculture.[29]

The Period of Market Reforms

In the early years, when there was an actual disjuncture between legal norms and cooperative behavior, practices of "creative disobedience" played a key role. They led to visible results which made the Árpád Cooperative a unique phenomenon among Hungarian cooperatives.[30] In the mid-1960s, the overwhelming majority of producer cooperatives struggled with start-up difficulties, shortages of equipment and labor, and unwillingness to work. The abovementioned grassroots

28 ÁAI Árpád Agricultural Cooperative. Box nr. 8. Minutes of the management meeting, 1966–1973.

29 See the "Chronology," in Bóth, *"A hagyomány kötelez,"* 265–69.

30 Márton Lovas, "Szövetkezet-vezetés közgazdaság szemlélettel. A szentesi Árpád Tsz eredményei az országos versenyben," *Gazdasági Figyelő,* June 9, 1965, 8. István Kaczúr, "El lehet érni újabb rekordokat. A paprika- és hagymatermesztésről beszélt Apró Antal a szentesi Árpád Tsz-ben," *Csongrád Megyei Hírlap,* May 24, 1966, 1–2.

initiatives facilitated the consolidation process of the cooperatives, but there were many villages and smaller communities where local leaders stuck with the Stalinist rules. In coping with the defiance of the provincial party-state, Lajos Fehér and his network tried to create a legal and administrative environment in which the authorization of local initiatives coming from below would be independent from the attitude of the local party-state apparatus. To this end, they initiated a comprehensive agricultural reform program. [31]

As preparations for the general economic reforms progressed in Hungary and the contours of the New Economic Mechanism emerged, the arguments of the agrarian lobby received increasing attention and acceptance. The leadership of the Hungarian Socialist Workers' Party sought a solution through a new system of economic management, one which combined planned and market economies. In an interview on precursors to the New Economic Mechanism, Economic Policy Secretary of the Central Committee Rezső Nyers indicated that the agricultural reform "had already addressed the questions of the economic mechanism from the agricultural perspective."[32] This is largely explained by the fact that, since the abolition of the compulsory delivery system in November 1956, a significant amount of experience with market incentives had been gathered. Among the many reform steps in agriculture, I will mention here only those that affected the functioning of cooperatives. The cancellation of machine-tractor stations in 1965, the write-off of debt, and an adjustment of the pricing system in 1966 all meant that the dismantling of the Stalinist system of socialist agriculture had begun.[33]

In the fall of 1967, Parliament accepted two laws which defined the economic and social relations of agricultural cooperatives for the next twenty years. [34] The new legislation incorporated the fruits of successful collaboration between the politicians and high-level administrators in the agrarian lobby and the agrarian economists. Law III on agricultural producer cooperatives aimed to resolve the duality which had arisen from the discrepancy between producer cooperative practice and the legal regulations in force. The abovementioned "tolerated"

31 Varga, *Az agrárlobbi,* 121–40.

32 Ferber and Rejtő, *Reform(év)fordulón,* 20.

33 MNL OL, M-KS 288. f. 28/1966/8. ő.e. Submission on the guidelines of the new law on cooperatives. September 23, 1966.

34 Fóris, *Mezőgazdasági termelőszövetkezeti törvény.*

local practices, especially in the areas of remuneration, work organization, and household plot farming, were finally "legalized" in 1967.[35]

What did this significant shift mean for the life of the Árpád Cooperative in Szentes? Cooperative president László Szabó summarized this for the members as follows:

> In the period of direct control, the state dictated the resources that the cooperatives would receive, specified how much they could produce and what they could produce, and stipulated who they could produce for and what price they could sell at. Whatever income remained was distributed to the members after public debts had been settled. Development was precisely dictated and had to be financed through credit, as the farms lacked their own funds at the time.
> Indirect control caused an enormous change, given that within a regulatory framework, the collective's leadership itself defined what it would produce, and at the time could choose for whom and for what price. Income covered costs, and members were given shares based not only on the proportion of their contributed labor: members could define their development from funds collected from their own income.[36]

For the cooperative, 1967 was truly the beginning of a new era. This was apparent in modifications made to its production system. Earlier, it had been forced to produce certain products in the name of "the expectations of the peoples' economy" or "supply responsibility," regardless of economic common-sense. Had these decisions been left to the cooperative membership or leadership, they would have been made differently. The Árpád Cooperative, which was based on horticulture, had become something of a "variety shop" by the 1960s. The expectation that all agricultural cooperatives produce meat and bread applied to them and to all other cooperatives.

In addition to horticulture, the other two main branches of the cooperative were cropping and husbandry. As of 1968, both could be rationalized in accordance with local conditions. A few plant types that were produced just for "the interest of the peoples' economy" were phased out of the plant sector. And as pig breeding and shepherding were de-emphasized, the development of turkey and goose husbandry was brought to the fore.[37] The guiding principles in the structuring of activities were profitability and increased efficiency. Taking

35 Varga, *The Hungarian Agricultural Miracle,* 190–95.

36 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly, January 19, 1970.

37 Csikai et al., *Ötven év tükrében,* 24.

advantages of opportunities in Law III of 1967, the Árpád Cooperative began expanding so-called supplementary activities falling outside its core agricultural activities (e.g., hiring out transportation and producing in-house animal compound feed). The most dynamically growing unit was the cooperative's construction brigade. While earlier the execution of investments required waiting for state construction firms to schedule, from this point on, the farm provided its own construction crew.[38] A 20-hectare greenhouse covered by polyethylene sheets was constructed between 1969 and 1971. In 1972 a 6.5-hectare glass greenhouse area was completed. (Today this is called the "old yard.") The first modern turkey plant in the Árpád Cooperative was built between 1973 and 1976. In the last third of the 1970s, two large investment projects were carried out. One involved the construction of a 13.6-hectare glass greenhouse yard between 1977 and 1980 (the new yard), and the other was the creation of a new office center.[39]

Market reforms enabled the cooperative to manage the goods it produced, i.e., they gave the cooperative the opportunity to conduct sales. Corporate clients from this point on had a direct relationship with the cooperative, and the "tutelage" of local councils came to an end. Cooperatives could sell goods produced collectively or on household plots both to corporate purchasers and retailers, food industry companies, and foreign trade companies. This was called the multi-channel sales system. Furthermore, the cooperatives could open their own shops in which they could sell their goods.

In the new economic environment after 1967, the "creative disobedience" of the early years turned into a situation in which the cooperative was technically sticking to the new Cooperative Law but was pushing the regulations to their limits. Below, I will present examples which show why this was necessary.

The Human Factor

The Law III of 1967 created an entirely new situation for the cooperative membership by cancelling the "remainder-principle" income distribution system inherited from the Stalinist *kolhoz*. While earlier, the cooperatives had only been able to pay their members after they had met their obligations to the state, beginning in 1968, they could count payment for labor during the season as a production expense. Payment, as such, thus took priority over state budget

38 Ferenc Cserkúti, "Merész tervek Szentesen. A termálvízzel fűtött üvegházak nagy hasznot hajtanak," *Népszabadság,* April 7, 1970, 9.

39 See the "Chronology" in Bóth, *"A hagyomány kötelez,"* 265–69.

receivables and the payout of material expenses. As a result, for the first time in their lives, cooperative members were paid a predetermined and guaranteed sum and, in proportion with the work performed, were regularly and continuously paid wages. The stabilization of incomes situation increased the attractiveness of the cooperative sector. While in the years of collectivization and even later migration from the agricultural sector was significant, by the late 1960s, the process had reversed and workers were beginning to return to agriculture.[40]

By the end of the decade, the increasing appeal of the Árpád Cooperative is shown in the fact the farm could hire people for a trial period. [41] After one or two years of employment, a decision was made on whether to offer a given employee membership. (The status of member had several advantages which were not available to employees.) The trial period thus served as a useful filter in the interests of creating a quality labor pool. For this reason, the fact that all cooperatives in the socialist period had employment duties throughout (meaning they were forced to employ all applicants) is worthy of attention.

In terms of the renewal of the labor pool, a new tendency emerged, whereby an increasing number of the children of cooperative members considered joining the cooperative. László Szabó proudly reported on this during one of the general meetings:

> [T]he children of the cooperative members are knocking on the door. It is as if the ice has broken, as if they have tossed aside the old habit of the children of cooperative members becoming industrial workers only; they are coming and applying. We accept these young people as members, so that using the property their father gathered they may learn to farm. With the entry of young people, new needs will appear for culture, sports, kindergartens, but in the future we will spend on this from our income, which we earned together![42]

Examining the social base of the cooperative, we see that scholarships were offered to those who continued their education in agricultural faculties on the condition that they work at the cooperative after graduating. Young married couples received support to build homes (interest-free loans), and later a separate financial fund was created for this purpose. This all helped ensure that experts with higher education would gladly settle in Szentes. In the 1970s,

40 *Mezőgazdasági Statisztikai Zsebkönyv,* 230–31.

41 Márton Lovas, "Egy zárszámadás margórájára," *Gazdasági Figyelő,* February 10, 1971, 10.

42 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly, January 27, 1973. 2–3.

retiring members who had a past of individual gardening and experience were replaced by young people with degrees from universities and colleges.[43]

In the 1970s, several cooperatives in the country experienced changes in the post of president. Many of the "founding fathers" with peasant roots stepped away from the position of president at this time, as they felt they could not keep up with accelerating developments.[44] László Szabó, who was born in 1910, was able to keep pace, and he surrounded himself with young experts. He was an outstanding team builder. This characteristic is reflected in the following anecdote: during his 25-year term (1960–1985), he was often asked what the secret to being a successful cooperative president was. His answer was, "the most important thing is to make sure that the branch managers do not provoke fights with one another!"

In the 1970s, with a well-trained pool of experts, the Árpád Cooperative entered a new period of growth. Their vegetable production took place in three different types of greenhouses:

- By the end of the decade, the area of its glass-covered greenhouses reached 27 hectares;
- An additional 48 hectares of greenhouses were covered with polyethylene sheets with their own heating systems; and
- 41 hectares without heating systems.[45]

At that point, the cooperative already had twelve thermal water wells. After the 1973 oil crisis, while energy costs soared, the value of local energy sources increased. These were used in several ways in local farming. Glass and foil greenhouses were heated using local energy sources, as was the turkey plant and, later, the grains drying facility.[46]

43 At that time, the following people began working at the Árpád Cooperative: Gábor Hegedűs (seedling production), Levente György (livestock breeding), and the future president, Dr. János Lóczi (horticulture). Plant protection emerged as a new branch, led by plant protection engineer István Csölle.

44 Juhász, "Az agrárértelmiség szerepe."

45 Csikai et al., *Ötven év tükrében,* 28–31.

46 József Tóth, "A termálenergia komplex felhasználása a szentesi Árpád Tsz-ben," *Csongrád Megyei Hírlap,* February 6, 1974, 3.

Cooperation in Research, Development, and Consulting

At the time of the New Economic Mechanism, the leadership of the Hungarian Socialist Workers' Party recognized the necessity of opening to the West.[47] Thanks to the agrarian lobby, large-scale agricultural farms played an intensive role in knowledge and technology transfers.[48] Hungarian cooperatives adopted industrial-like closed production systems from capitalist countries. After livestock breeding and cropping systems had been transformed, in the mid-1970s, a large number of horticulture production systems also began to undergo change.[49]

In order to launch effective development within horticulture, three conditions had to be met. Experts familiar with the most up-to-date production procedures had to be available, people were needed who had production experience with new methods, and the sector had to be able to acquire necessary funds. The system organizer accepted responsibility for working out industrial-like technological solutions and continuously developing them. Furthermore, he was responsible for technically adapting the systems for adjoining member farms, in accordance with local conditions. Local expert consultation was also continuously provided. [50]

One of the basic conditions for the dynamic development of horticulture production systems was cooperation among people involved in research, education, and consulting. Under the chairmanship of Professor László Koródi, the Department of Vegetable Production at the Horticultural University worked on plant breeding, the training of expert engineers, and the installment of a professional advisory system, which was an enormous boon to transitioning production systems. He worked particularly closely with the Árpád Cooperative.[51]

The technical development launched in the early 1970s caused deep-rooted changes in production, as the increased use of machinery and chemical materials led to the introduction of new breeds and new agro-procedures. After the end of World War II, the technology of greenhouse construction developed rapidly, especially in the cold countries of Western Europe. The Netherlands turned out to be the market leader. Although Hungarian cooperatives could import

47 Germuska, "Failed Eastern Integration."

48 The Bábolna State Farm led by Róbert Burgert played a crucial role in the early phase of the technology transfer. András Schlett offers a well-articulated analysis. His monograph covers the whole socialist period of the Bábolna State Farm. Schlett, *Sziget a szárazföldön,* 35–45.

49 Varga, *The Hungarian Agricultural Miracle,* 201–12.

50 Csikai, "Kertészeti termelési rendszerek," 109–13.

51 Ibid. 114–15.

greenhouses mainly from East Germany, horticultural experts regularly took part in study tours in Netherlands.[52]

Cooperation in Sales

As noted above, according to the 1967 Law on cooperatives, the farms themselves chose how to sell their products. Furthermore, cooperatives selling vegetables and fruits were given a free hand in setting their sale prices. A reader today gets a sense of the significance of this by recalling that one of the most important characteristics of the planned economy was the system of centrally determined fixed prices. The New Economic Mechanism reformed this approach by introducing a three-pronged pricing system: prices set by the state were accompanied by prices that could fluctuate within a spectrum set by the authorities and also free market prices, which were determined solely by supply and demand.[53]

From January 1, 1968, fruit and vegetable prices were also included in the free price category. Numerous barriers to the actual emergence of market logic remained, however. One of the most important of these barriers was the fact that the storage and transport infrastructure remained in the hands of the Zöldért enterprises, which thus continued to purchase the dominant share of produce.[54] Prices exercised a defining influence here too. Formally, Zöldért enterprises did not have a monopoly position, but they nevertheless dictated prices, and their profits depended on the price differential between consumer and producer prices, which could amount to a difference of two or three times. Thus, they could generate a significant income by doing nothing more than buying products and selling them to the enterprises with retail networks, such as Közért and Csemege. Their interest was in maintaining this price differential rather than in maximizing sales, and they were protected by their de facto monopoly. Such a system, in which their interests were separate from those of both producers and consumers, was especially harmful in the case of early season vegetables. At the

52 After receiving his university degree in 1966, Miklós Csikai worked for a year at the Naaldwijk Research Institute in the Netherlands and at private gardeners in Westland. Author's interview with Miklós Csikai, March 12, 2019.

53 Pető and Szakács, *A hazai gazdaság,* 433–39.

54 Among the state purchasing companies, its profile consisted of trading vegetables. This is what its name suggests, which is a kind of abbreviation of "vegetable sales." It had a countrywide network.

end of the rather lengthy product chain, this system had negative consequences for both producer and consumer, albeit in different ways.

The conflict between the Árpád Cooperative in Szentes and the Zöldért company of Csongrád County would merit a separate paper. In an interview with me, Dr. Sándor Márton, the chief accountant of the cooperative, stated that as early as the 1960s he and other members of the cooperative leadership had advocated for the removal of this unnecessary and costly middleman. [55] As a result of the market reforms of 1968, the legal framework was established, and the leaders of the cooperative launched an effort to attain wholesaler rights. This required finding allies at the highest levels. Imre Dimény, Minister of Agriculture and Food, played a decisive role in this. [56]

At the initiative of the Árpád Cooperative, the so-called Early Vegetable Production System was established in 1975. In addition to production, it dealt with several kinds of sales based on common interests. The Early Vegetable Production System of Szentes covered glass greenhouses, heated and unheated plastic foil greenhouses, and early outdoor/open-air production.

Initially, the initiative had two partners. Within five years, there were eight, and two years later, there were twenty. By this point, the Early Vegetable Production System covered three counties (Csongrád, Szolnok, and Bács-Kiskun). It is important to add that the system covered 20 farms and 3,500 household gardens and small-scale producers.[57] The Árpád Cooperative played the role of gestor in the Early Vegetable Production System. It provided know-how and the production technology for certain varieties of sprouts to member farms. In order to be able to share the best technology, it established cooperation with the Horticultural University and the Consulting Service of the Vegetable Production Research Institute. The consultants of the Early Vegetable Production System offered assistance not only in the field of production technology adaptation, but also in compliance, with weekly visits to the member farms.[58]

The integration of production entailed cooperation among the members of the Early Vegetable Production System in the field of purchasing, given that in vegetable production, systems increasing volumes of seeds and consultancy had to be acquired, as did plant protection materials, machinery, and parts.

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55 Author's interview with Sándor Márton, August 23, 2019.

56 Author's interview with Imre Dimény. February 9, 2010. (Author's files.)

57 Vilmos Taba, "Fóliás tájakon, IV." *Hajtatás, korai termesztés* 11, no. 1 (1980): 20–27.

58 Csikai, "Kertészeti termelési rendszerek," 110–12.

Regarding joint interests in sales, its essence lay in the fact that the member farms, unlike when dealing with Zöldért, did not calculate vegetables by the percentage of price gap but instead based on joint decisions defining the commercial costs per kilogram of product. They held that the greatest success in their first year was the sale of vegetables for 58 million forints at a cost of only 2.1 million Forint, which represented 3.6 percent of gross value: "those participating in the system had never conducted commerce this cost-efficiently."[59]

By the mid-1980s, the Early Vegetable Production System had established contractual relationships with 46 companies and twelve private traders.[60] Early Vegetable Production System trucks made weekly deliveries to Szombathely in the same manner as they did deliveries to the ÁFÉSZ chain of shops in Nyíregyháza. The outstanding quality of the vegetables is reflected in the fact that there were private commercial partners who were willing to travel as much as 330 km in their cars from Nagykanizsa to pick up produce.

It is also interesting to note how, in the communication networks of the time (when computers were not in use), it was possible to harmonize the production and sales processes of several primary products. Dr. Miklós Csikai, who directed the Early Vegetable Production System from 1983, summarized this in the following way in an interview:

> The branch managers of the member farms met at least three to four times a year for a discussion, the goal of which was to develop the plan for the next year. These are then the circles of customers, which currently stand at several hundred small and large companies, economic units, and stores. In this way, the annual quantities of given products and given cooperatives develop, and the production system ensures them secure sales. Knowing this, the given cooperatives put together their final production plans, with attention paid to the household greenhouse producers with contracts. Everything counts: type, quality, quantity, and time of delivery handled by the production system, but in the meantime they are informed about demands.
>
> The contracts lay all this out in precise detail. Based on them, work begins in the glass and plastic foil greenhouses. Later, throughout the year, they always know precisely how much produce to sell, in which week, and on which exact day.
>
> Every Wednesday at 10:00am, the representatives of the member farms involved in common sales meet in my room and calculate the

59 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly. February 7, 1976. 8.

60 "Termelőszövetkezeti zárszámadásokról jelentjük", *Csongrád Megyei Hírlap,* February 7, 1987, 1–2.

> quantity of goods, with a daily breakdown, which are offered up for joint sale by the various cooperatives. This is very precise data, and that is necessary, as our sales division can only come to agreements with various buyers with this knowledge in hand.[61]

Before my reader forms a utopian notion of the functioning of the socialist vegetable market, let me note that the "state of war" with Zöldért lasted throughout the period. I offer a few examples of this conflictual relationship. The Early Vegetable Production System carried out significant exports. For example, they controlled 90 percent of all exported green peppers. Produce for export was transported in refrigerated wagons. They were stacked at the Zöldért side tracks by the System's own workers, meaning the Zöldért employees never touched the produce. However, Zöldért charged a disproportionately high price per 100 kg. There were also constant conflicts in domestic commerce. A warehouse was rented from Zöldért for which the company charged ten times the normal rate. Ministerial mediation between the parties was in vain, and the conflict only began to subside at the end of the 1980s, when the Zöldért company of Csongrád county signed a cooperation agreement with the Early Vegetable Production System. The 1987 agreement laid out the following goal: "with an eye on common interests to create the conditions for fruit and vegetable production in the region, a unified distribution system, and at the same time a more efficient operation of the tools created for this purpose and in the hands of Zöldért."[62] Every word was justified and would have been appropriate earlier as well, but the agreement came too late. The agreement was quickly made redundant by the regime change. In the end, the Árpád farm bought Zöldért's former facility.

After the Regime-Change

In Szentes, the year 1990 marked not only the change of regime but also a change in the post of president. Dr. János Lóczi, who had succeeded László Szabó in 1985, resigned from his post. The membership elected as president Dr. Miklós Csikai, the director of the Early Vegetable Production System.[63] His leader mentality and approach were of vital importance during the transition. As

61 Benedek Tóth, "Nagybani piac Szentesen. Sikeres a primőrök termelői értékesítése," *Népszabadság,* July 31, 1984. 5.

62 ÁAI Árpád Agricultural Cooperative. Box nr. 14. Minutes of the management meetings, October 16, 1987.

63 Csikai et al., *Ötven év tükrében,* 28–31.

he explained in our interview, he spent most of 1992 sitting down with people to discuss the future of the cooperative.[64] Based on experience he had gained in the Netherlands, he was able to explain how cooperatives could have a legitimate role in the market economy. The players in horticulture could only reduce their vulnerability to powerful commercial chains and suppliers by working together. Although each member could have claimed property valued in the millions of Forints, in the end, only 27 of the 1,024 members indicated their intention to quit the collective.[65] This number meant that an absolute majority of the members recognized that in the interests of the efficient use of accumulated property and employment for about a 1,000 people, they should remain together and continue to work together.

At the end of the 1990s, the Árpád farm underwent another organizational change. Given the agricultural policy climate of the time, those functioning as collectives had limited opportunities. In 1999, the Árpád cooperative, like many other cooperatives, decided that it would transform into a joint stock company.[66] A mission statement from this time makes clear the importance of continuity in the value system:

> Mission: Our tradition-respecting, capital-strong stock company, with its team of well-prepared experts, will satisfy and meet the expectations of consumers and their needs, serve its partners, stockholders, and employees with forward-thinking, market-sensitive planning, detailed quality work and outstanding products and services.
> Vision: Árpád-Agrár Ltd. as a stock company which works in harmony with its environment, respects traditions, has widespread international business relations, and is known in Europe and across the country.
> Producing branded products on an outstanding organic foundation, with up-to-date technology, at a world-class level, which meet the strictest food-security standards and consumer demands. From producing basic materials to the final product, with processes built on one another, and with the services we deliver to ensure the full satisfaction of customers and stable and high profits. Playing an integrating role in the region, the company provides a stable living for several thousand families. We serve as an example in our use of high-level horticultural technology which is environmentally friendly.

64 Author's interview with Miklós Csikai, March 12, 2019.

65 ÁAI Árpád Cooperative. Minutes of the transformation assembly. August 7, 1992.

66 ÁAI Árpád Cooperative. Box nr. 1. Minutes of the general assembly. September 10, 1999.

> Responsible and risk-assessing management, highly trained employees, and the company's retirees are all proud of the Árpád name, identify with its goals, and are satisfied individuals.[67]

Translated by Frank T. Zsigó

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Actors, Ruptures, and Continuity. New Socialist Order or Legacy of the War Economy: The Hungarian Vehicle Industry around 1950

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This article investigates the formation of a Hungarian socialist enterprise in the vehicle industry. After giving an overview of the legacy of World War II in a (nationalized) vehicle industry plant, it explores political, production, and wage conflicts on the basis of company and party archives and considers the kinds of resources which workers and engineers could use in their efforts to assert their interests. It also considers how these efforts limited the abilities of the central economic authorities to exert influence. It arrives at the conclusion that the main features of the early socialist enterprises, such as technology, the structure of the skilled workforce, the attitudes of this workforce, etc., were shaped by the industrial boost which had come with the war. Furthermore, the relationship between workers and firms was itself shaped by the shortage of consumer goods during and after the war, because the supply of consumer goods (above all, food) was considered the responsibility of the enterprises. These circumstances set narrow limits within which the central economic administration had to operate in is efforts to create so-called socialist enterprises. So, the early socialist enterprise seems to have had few genuinely socialist elements. It was shaped far more by the prevailing conditions in the postwar context, networks among engineers, and a sense of solidarity among skilled workers which had been inherited from the pre-socialist era.

Keywords: Socialism, Hungary, technocracy, labor history, enterprises.

In December 1951, tensions concerning wages (quite typical of the Rákosi era) in the Ikarus Bodywork and Vehicle Factory on the outskirts of Budapest led to a riot. Barely a week earlier, the trade union secretary of Ikarus had spoken about the tension surrounding bonuses at the meeting of the Hungarian Workers' Party (MDP) in the sixteenth district.[1] As Christmas approached, the conflict became increasingly acute. According to the rules, December 27 would have been the payday at Ikarus. However, chief accountant Jenő Medvei had promised at a

1 "Bonus for reaching the production target: Yes, but it doesn't work well. The trade union, for instance, only learns of it afterwards. There was a case in which Chief Engineer Zerkovitz promised the workers overtime pay, and when they went to get it, they were told that there was no money for overtime pay anymore." BFL XXXV.157.a.3. 257. December 14, 1951.

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trade union event on December 19 that wages due would be paid on December 23, i.e. before the holiday. He allegedly misled the company's executives by saying he had obtained permission from the Ministry of Metallurgy and Machinery to pay these wages. When the payments were already in progress, Medvei called the ministry to get permission to make the payments before Christmas. The ministry, however, rejected his request and even ordered the suspension of the payments that were already underway. The Ikarus leaders then suspended the payments, and they spent some time on the phone helplessly entreating various representatives of the higher bodies to help until, eventually, Minister of Metallurgy and Machinery Mihály Zsofinyec firmly informed them that they were forbidden from deviating in any way, with the disbursement of payments, from the official schedule.[2] At 4:30 that afternoon, the workers, who were eagerly waiting to be paid, were told on the loudspeaker that payments of wages would only be made on December 27. Later, the company management was harshly criticized for not having the courage to stand in front of their employees in person and explain the party's decision and stance. Financial director Medvei, however, allegedly did approach the angry workers in person and informed them of the instructions he had been given by the party. The crowd of about 500 people, including party members, wanted to beat general manager Szőcs, who fled to the party office. Szőcs was later criticized for having led the angry crowd to the party office.[3] The angry mob broke into the corporate MDP office, smashed the equipment, and threw the documents and décor on the ground, but Szőcs was able to escape. The events were brought to an end with the arrival of the state security forces. The crowd was dispersed, and some 100 people were detained.[4] By exploring the processes which led to the conflict described above, the present study examines the peculiarities of the formation of a socialist company which, as one of the flagbearers of Hungarian industry, provided buses for the Soviet Union and other Comecon countries for decades and, in some periods, also was a major source of exports from Hungary to countries in the third world.[5]

2 At the time, pay days at different companies were scheduled at different times so as not to overwhelm commerce with a sudden surge in demand on a single payday for a potentially huge customer base.

3 Szőcs was harshly reprimanded in party disciplinary proceedings. BFL XXXV.95.a. 52/b. the meeting of the Budapest Party Committee on April 15, 1952.

4 At the same time, there was a strike at the Csepel Car Factory for the same reason. According to a report of the state secret police, in front of the CEO's room, the crowd made "statements which were pornographic, anti-democratic, and insulting to the leaders of our government." Cited Belényi, *Az ipari munkásság,* 161–62. For an analysis of the events in Szigetszentmiklós, see Kiss, "A Csepel."

5 Bódy, "Enthralled by Size."

The secondary literature on the economics of the state socialist era has always considered large enterprises as important actors, and it was, according to this literature, the relations between these enterprises and the governing superiors (relations which were plagued by communication failures), the often dysfunctional interactions among these enterprises, and the internal conflicts at these enterprises which were responsible for the chaos of the planned economy.[6] At the same time, its inefficiency from an economic point of view notwithstanding, the socialist enterprise was an important institution of social integration in state socialism because it linked its workers and employees to itself and to the system through other organizations tied to the enterprise (trade unions, sports clubs, etc.) and through social benefits, in addition to wages, and thus provided them with a specific socialist way of life.[7] The more recent literature also emphasizes, in comparison with earlier research, that companies functioned as autonomous institutional actors in state socialist societies, maintaining transnational networks of contacts, often across the Iron Curtain, and that the development of these networks over time did not necessarily follow the same pattern as the development of political relations between East and West, but rather had a distinctive dynamics of its own.[8] At the same time, the literature has only rarely dealt with the period of the emergence of the socialist enterprise, the processes that created the familiar features of the socialist enterprise, and the actors who shaped them in the period of nationalization. The present study examines the groups and forces that shaped the image of the enterprise at the turn of the 1940s and 1950s, and it considers the extent to which nationalization and the establishment of the party-state system represented a departure from the earlier path.

The Legacy of the War

"The Uhri siblings showed us that there is an America in Hungary too. They began as entrepreneurs with only small workshops, and we immediately made them into major industrialists." So said, allegedly, the Deputy Minister of Defense on October 17, 1943. He was referring (or at least so the source in which the statement is found contends) to the tremendous growth which the company

6 Kornai, *A hiány*; Germuska, "What Can We Learn;" Steiner, "Zur Anatomie."

7 See the essays in the following volume: Schuhmann, *Vernetzte Improvisationen.*

8 Fava and Gatejel, "East-West Cooperation;" Jajesniak-Quast, "The Multiple Interantional Dimension of Comecon."

founded by the Uhri siblings had enjoyed because of the orders placed by the state for the military.[9] The enterprise launched by the Uhri family, which had begun as a low-level undertaking, had grown by 1938 to a middle-level company which, however, still had less than 100 employees. Over the course of the next year, however, as a consequence of the orders placed by the state, the company grew to several times this size, from the perspectives of both production and the number of employees. The company, which in the early 1940s employed a few thousand people, made cable drum carts and superstructures for a wide variety of military vehicles (artillery carts, veterinary and horse disinfection carts, and, later, command vehicles and radio carts) and also pontoons for the army. It was declared a military plant, and the army became the most important source of orders for its products. Furthermore, as a consequence of this change in the status of the company, the important skilled workers were exempted from military service.

They received government loans. In 1942, the state lent 3.7 million pengős to the Uhri siblings for investment in vehicle manufacturing. They had to build a modern factory in Mátyásföld in order to be able to engage in modern large-scale production.[10] The creation of a dramatically larger factory site necessitated, of course, a number of other changes. A doctor's office, a kitchen, and a cafeteria were set up, or in other words, the kinds of social facilities associated with a large enterprise. The company was run by three siblings. Imre Uhri Jr. served as commercial director because he had connections to politics and the Ministry of Defense. Zsigmond Uhri saw to the tasks of technical director and was in charge of production. Matild Uhri (the wife of László Kelecsényi) headed the material procurement department, which may well have been a major task at a time of war.[11]

In 1938, the Uhri siblings also began to work in airplane manufacture. First, they made a gliding machine on the basis of designs by the Technical University Sport Flying Association. The glider was essentially a matter of small-scale industrial production. The Miklós Horthy National Aviation Fund then placed orders for repairs to school machines made by Bücker Flugzeugbau, a German manufacturer.[12] The move into the aircraft industry was made possible by the fact that the production processes for bodywork for road vehicles were technologically similar to the production processes involved in making aircraft

9 "Sikeres magyar nagyiparosok," *Katolikus magyarok vasárnapja*, November 27, 1977.

10 MNL OL Z 517. 2. Loan agreement.

11 MNL OL Z 517. 1. 6. Instruction of Imre Uhri.

12 *Magyar Szárnyak,* October 1, 1941, 24.

bodies. Working with the same machines and tools and similar materials, the skilled workers were able to use the training and experience they already had to perform the necessary tasks. Thus, in addition to the role it played in vehicle production, the factory was also able to take on the repair of aircraft and the production of sports aircraft in small series.

The next step was to establish a relationship with the Bücker Flugzeugbau manufacturer, as the Uhri siblings' factory was doing repairs to planes produced by Bücker. The other factories in Hungary which were suitable for aircraft production were engaged in production within the framework of a joint program with the Germans, and thus there were no factories which would have been able to address the need to produce planes for training for the Hungarian military. The Ministry of Defense purchased the license for the Bücker 131 and then handed it over to Uhri siblings' company.[13] The Ministry of Defense then ordered 210 training planes from the company, and it provided significant loans for the investments needed to meet the order.[14] The Uhri company thus became a kind of government enterprise. Similar enterprises had developed in Germany and overseas as a consequence of government investment programs to combat the world economic crisis, and naturally they continued to grow as a result of production for the war.[15]

The emergence of a system of contracts for the manufacture of aircraft, which was in the interests of both the Hungarian Ministry of Defense and the German company, involved the mobilization of significant sums of money and thus would not have been possible without persistent lobbying and background work. One of the accusations against Imre Uhri, who in 1945 and later was stigmatized as someone who had been a right-wing friend to the Germans during the war, involved the contacts which he had maintained with extreme right-wing personalities and military leaders, primarily people in the air force and military who were responsible for equipment orders, several of whom were members of the Arrow Cross, a far-right party in Hungary which for a time was even banned by Horthy. Some of these individuals, for instance a retired Deputy Minister of Defense, ended up on the company's board of directors.[16]

13 MNL OL Z 517. 32. Minister of Defense's letter to the company.

14 In 1943, the Ministry of Defense authorized interest-free loans to the Uhri company in several steps. HL HM 1943 eln. 17/b 107819., MNL OL Z 517. 17.

15 Schanetzky, *Regierungsuntermeher.*

16 *Gazdasági, pénzügyi és tőzsdei kompasz,* 1943–1944, 531. HL HM 1944 eln. 17/b. 203893. Accounting report of the Airplane Factory on January 26, 1944 to the Ministry of Defense.

As the investments were being made, several reports were received by the Ministry of Defense regarding the loans which had been made to the Uhri siblings. According to these reports, the monies which had been provided had been used in part to cover expenses for luxuries. In the course of the subsequent investigations, the Ministry of Defense committee of inquiry found that the original loan agreement according to which the Hungarian Army Treasury had entered the investment had been reached without actually stipulating clear plans for the construction of buildings, the manner of implementation, or the provision of the necessary equipment, though the Ministry itself had called for such plans. Since the very first financial plans had been reached, the credit line which was allegedly needed "had grown like an avalanche to 5, 8, 11, 14.7, 20, and 25 million, and now there is talk of 30–32 million."[17] During the investment, the Uhri siblings charged a number of things to the credit line which were not, strictly speaking, eligible. A total of 1,670,189 pengős were spent on costs which, according to the committee, should not have been charged to the credit line.[18] In 1944, however, the Ministry of Defense transferred another quick loan to the company so that construction would not stop, and they even made a proposal to the Council of Ministers to raise the credit line.

The construction of a factory under the leadership the Uhri siblings but financed entirely by the Ministry of Defense bears a close resemblance to the later investments made by the socialist state according to the planned economy with only soft constraints on budgeting. As a consequence of this investment, in 1943 and early 1944, a 11,685 square-meter factory hall was built in Mátyásföld which at the time was one of the largest and most modern factories in all of Hungary.[19]

In the summer of 1944, factory councils were formed at the company, as indeed was the case at all factories. These councils were established by law in the spirit of the corporate ideas of the far-right government which came to power with the German occupation after March 19, 1944.[20] Later, from 1945 onwards, these bodies were referred to as "Arrow Cross factory councils." However, the actual political views and inclinations of the members of the councils may well have been very mixed (though people who had open left-wing sympathies, of

17 HL HM 1944 eln 17/b. 203893. Report for the Deputy Ministry of Defense on April 4, 1944.

18 HL HM 1944 eln. 17/b. 209074 and 1944 eln. 17/b. 203893. 3. Report of the commitee of inquiry, and cost accounting.

19 The cost accounting of the construction, which was still in progress at the time, from January 1944, contains the main data concerning the site: MNL OL Z 517. 2.

20 28900/1944. Ip. M. and the 29000/1944 Ip. M. regulations.

course, would not have been admitted), and there may have been cases in which the elections reflected little more than the popularity of a given candidate among those who were entitled to vote. The factory councils, which had to listen to questions concerning personnel, focused primarily on welfare matters. For instance, they oversaw the distribution among workers and officials of materials which had been taken from shops which had classified as "Jewish." From the perspective of the provision of goods and wares during a time of war, this was a manner of complementing the company's forms of social welfare which had been developed earlier.

In the upheaval of the last months of the war, the Uhri factory could hardly escape the fate of most modern enterprises. As the Soviet army drew ever nearer, the government resolved to have all installations of any possible value moved. Some of the workers hid both materials and machines in the cellars of the Mátyásföld factory, in all likelihood with Zsigmond Uhri's knowledge. At the beginning of December 1944, as it was essentially impossible to transport the machines which had not yet been moved, the Arrow Cross authorities (by this time, the Arrow Cross was in power) ordered that the machines simply be destroyed on site. Some of the middle-level leaders at the company were able to hide some of the motors, and they contended that they were unable to dismantle important parts because they did not have the necessary manpower. The willingness of factory employees to try to protect some of the company machines, materials, and tools was not so much an expression or consequence of principled stance against Nazism on their part as it was an indication of their attachment to the factory itself. For them, the factory was something of value, and it was important that it remain able to function.

In 1945, as the war finally drew to a close, a new era began for a company which was deeply indebted to the state, which was equipped with both the most modern machinery and production facilities, and which had an experienced workforce which was in part bound to the factory and which expected both a livelihood and social benefits from it.

After 1945: The Growing Party-influence, Exculpation Proceedings, Economic Dependency

After the war, in the absence of orders from the military, it no longer made sense to produce aircraft. A new motor vehicle market was emerging for the company, however, first and foremost in the repair of damaged vehicles. As military

operations came to an end, the Soviet Army placed large orders for vehicle repairs from the company, which was allowed to keep some of the repaired trucks as a form of payment. The company exchanged some of these trucks for food for its employees.[21] The situation after the war created other business opportunities. The company made railway wagons for the Hungarian delivery of reparations to the Soviet Union and pontoons for use as temporary bridges.

Following the siege of Budapest, factory committees were formed which replaced the factory councils which had been in 1944. Former Arrow Cross members were removed from these committees, but there was still some continuity in council/committee membership, as views among the workers and the officials at the company concerning who was worthy of esteem or exerted influence did not necessarily change.[22] István Cséfalvay, who became a leading figure at the company in 1945 as a member of the Hungarian Communist Party, had also been a member of the factory council which had been formed in 1944.[23] Members of the factory committee which initially had been created at the company belonged, for the most part, to the Communist Party. They then came out in opposition to the continued presence of the Uhri family in the company leadership. At a factory committee meeting in April 1945, they proclaimed that, "it is no longer possible to work together [with the Uhri siblings]. At the time of German and Hungarian fascist rule, they served the army, forcing production to the extreme."[24] Imre and Zsigmond Uhri were reported to the political law enforcement division of the police station with jurisdiction. The factory committee alleged that the work done by the two directors was worthless to the company and their presence at the factory was harmful.[25]

Imre Uhri made no attempt to defend himself against the contentions that were being made about him by the factory committee. Given his strong right-wing leanings, he simply left the country. First, however, in the presence of a

21 Géza Tóth, a worker at the plant, made trips using the company's trucks to his own hometown to procure food. Interview with Géza Tóth.

22 A government decree gave the factory committees extensive powers over company management. In practice, the factory committees became representatives of the Hungarian Communist Party and the Social Democratic Party within companies, where the two parties, which both regarded themselves as labor parties, were often in sharp conflict with each other. Bódy, "Többpárti totalitarizmus?"

23 BFL XVII.1625 Budapest justification committee (a forum for political accountability which was created to hold people responsible for their conduct in the past) number 268/b. 2.

24 MNL OL Z 1192. 1. Protocol of the factory committee.

25 MNL OL Z 1192. 1. Protocol of the factory committee.

notary he authorized his two siblings, Zsigmond and Matild, to dispose over his possessions, including any divestments.

As a result of the report, Zsigmond Uhri was interned.[26] At the plant, however, a conflict broke out between the groups leaning either towards the Communist Party or the Social Democratic Party. As a result, changes were made to the membership of the factory committee, and steps were taken by the new members, most of whom belonged to the Social Democratic Party, to release Zsigmond.[27] In their submissions to the police, the Ministry of the Interior, and the Ministry of Justice, they referred only to Imre Uhri as a "friend of the Germans" or "fascist." They claimed that Zsigmond's experience was essential to the continued work of the factory, which allegedly had virtually ground to a halt after his internment.[28] Zsigmond himself appealed against his internment. His appeal and the steps taken by the factory committee were successful in the end, and the Ministry of the Interior reversed the decision of the Mátyásföld captaincy and released him. In August 1945, Zsigmond Uhri rejoined the management of the factory.[29]

Parallel with the case involving Zsigmond's internment, the case concerning whether the acts he had committed during the war were justified was also underway. Similar procedures were introduced in all companies and public service workplaces in 1945. The "justification" processes offer glimpses into what the "Arrow Cross" or other political stances actually meant for workers and how workers were attached to the factory. Most of the employees at the Uhri companies, concerning whom no potentially accusatory observations were made, were automatically certified as "justified" by the committee, meaning that they were no considered under suspicion of having committed questionable acts during the war. Only a comparatively small number of cases were heard at length or with the possible involvement of witnesses. A woman who had worked as an official at the factory admitted during the procedure (and she was, from this point of view, a remarkable exception) that she also had received materials from the stocks taken from people who had been classified as Jewish, which

26 This took place on August 11, 1945 on the basis of the decision of the Mátyásföld captaincy.

27 The minutes of subsequent factory meeting show that the chair of the factory committee, and Zsigmond Uhri were able to work together, as they had a similar understanding of the interests of the company. According to the recollections of Vörös, who was the secretary of the Social Democratic Party at the factory, he considered himself almost an ally with Zsigmond Uhri in the fight against the communists. Vörös, "Az életutam."

28 MNL OL Z 1192.1. Letter of the factory committee to the Ministry of Justice.

29 BFL XVII.1625 Budapest justification committee no. 268/b. Box 2. Session minutes.

the company, as a military plant, had received. The questionnaire used in the process had one question concerning whether the person involved had received or "purchased any of these clearance-materials." Almost no one answered yes to this question, though as workers at the factory, they had indeed received these kinds of materials as part of the social benefits provided by their employer. The member of the Factory Council who had been responsible for distributing the food allowances was only censured. One of the complaints made by the Factory Committee against him was that, before Christmas 1944, he had not distributed food supplies in full. Obviously, from the perspective of the workers, who were represented by the committee, this had been an "anti-labor" act. The fact that he had been a member of the Factory Council had not, in and of itself, been a matter of particular interest. In the case of another person who had been a member of the Factory Council involved in the distribution of foodstuffs, mere membership on the Council again was not the grounds on which accusations were brought. Rather, he was rebuked for having favored, in this position, members of the Arrow Cross Party.[30] In other words, the notion of having received in some way materials which had once been owned by people classified as Jews seen quite as natural, since almost everyone at the factory did indeed benefit from what was essentially the theft of these materials because they were used by the factory in its efforts to provide forms of social welfare. In the case of everyday industrial goods and foodstuffs, the benefits which were provided by the enterprise were considered natural regardless of where they had come from.[31] If someone had gotten his or her hands on some item of value which had once belonged to Jewish neighbors who had been deported, however, this was judged very differently. There is an example of one such case in the "justification" procedures which were held at the Uhri companies.

The "justification" of Zsigmond Uhri took place in this context of procedures after his release from internment.[32] During the certification process, it was clearly to his advantage that, in the eyes of his workers, he was not a parasite or abusive boss. Many of the skilled laborers at the factory were on close terms with him, and they sought him out to discuss their troubles. Zsigmond's efforts to make sure that the factory remained operational fostered a sense of community between him and workers who were tied long-term to the plant.

30 Ibid.

31 Vörös, "Az életutam."

32 BFL XVII.1625 Budapest justification committee no. 268/b. Box 2. Session minutes.

This may explain the position of the company's social democratic group of workers, who expressed their support for him.[33]

In the course of the "justification" procedures, the concept of worker identity seems not to have been defined according to the logic of party politics. For them, the work that they did in the factory was not simply a matter of putting food on the table. It was also an essential part of their identities. Anything that threatened operations at the plant threatened not only their livelihoods but also their social understandings of themselves. For this reason, they may very well have opposed the relocation of machinery at the plan abroad, and in 1945, they expected the people with the capital, i.e. the Uhri siblings, to ensure the necessary funds for the relaunch of the factory if they wanted to remain in their leadership positions. Zsigmond Uhri had to provide the working capital necessary to run the company. According to a subsequent audit report which was issued when the company was taken over by the state, Uhri Zsigmond invested a total of 370,000 pengős in the company in 1945.[34] The workers were interested in who was promoting the operation of the factory, to which their livelihoods and identities were tied, while the question of whether a given individual had been an "Arrow Cross" (either a member of the party or just someone with extreme rightwing views) was not considered, on its own, a problem.

Thus, by the second half of 1945, in cooperation with Factory Committee, the majority of which belonged to the Social Democratic party, Zsigmond Uhri regained control of the company. The injection of capital helped solve the problems cause by war damages and the need for working capital. In the period of soaring inflation which followed, it was not difficult to finance the company. There were plenty of orders. The period of stabilization which began in early August 1946, however, put the company in a difficult position. Financial stabilization meant a dramatic drop in loan offers.[35] Orders also fell, and it was impossible to get credit. This situation became a trap for the company in part simply because the management was unable to reduce the number of employees in parallel with the downturn in business. Government decrees had been issued starting in 1945 which made it impossible to reduce the workforce, which had swollen during the war, by banning layoffs. With the introduction of the forint

33 According to the recollections of Géza Tóth, Zsigmond Uhri had a good relationship with the local leader of the trade union even before 1945, although naturally there was not an officially recognized trade union group at the factory. Interview with Géza Tóth.

34 MNL OL Z 517. 1, 5. Audit report.

35 Pető and Szakács, *A hazai gazdaság*.

in the autumn of 1946, a decree was issued allowing companies to reduce the number of employees, but the Factory Committee vehemently opposed it.[36] In the aim of reducing the number of people who would be dismissed most of the members of the committee were not guided simply by social concerns which ran contrary to economic considerations.[37] The factory communist party group regularly attacked the committee, most of the members of which, as noted above, were Social Democrats, so these Social Democratic members of the committee could not afford to seem if they were not vigorous in their efforts to defend the "interests of the workers."[38] Thus, the layoffs which were implemented following the introduction of the forint remained minimal, which put an extreme burden on the company, because in addition to wages, the company's welfare department also provided a number of in-kind services for employees (for instance, firewood, boots, and food).[39]

Zsigmond Uhri made efforts to improve the situation by looking for new credit opportunities and new investors. However, there was simply no capital market in Hungary at the time. Had there been, the company probably would have been able to find adequate financing, must as it had been able to remain profitable at a time of inflation caused in part by an abundance of cash. According to the recollections of János Vörös, the company's Social Democratic Party Secretary, for a time, the Social Democratic Party bank provided loans for the company.[40] In the absence of a financial institution willing to provide serious loans, however, Zsigmond Uhri began looking for an investor who was also professionally interested in the automotive industry and would therefore be willing to cooperate with the company. Under the circumstances at the time, however, this kind of investor could only be a state-owned company, as at the beginning of 1947 there were no longer any serious companies in the vehicle industry that were still in private hands. Due to the lack of working capital and the political situation, it was quite clear that were it to partner with a state enterprise, the company would effectively fall under state control.

Two of the options merited particular consideration, the Heavy Industry Center (Nehézipari Központ, or NIK), which included the largest companies already under state management, and the Hungarian National Car Factory

36 On the political and economic context of dismissals see Bódy, "Többpárti totalitarizmus?"

37 MNL OL Z 1192. 1. Factory meeting on March 5, 1947.

38 November 6, 1946. Committee disciplinary meeting MNL OL, Z 517, 18.

39 MNL OL Z 5171. Session minutes of the factory committee.

40 Vörös, "Az életutam."

(Országos Gépkocsi Üzem Rt., or MOGÜRT), a vehicle industry and trade company. At the time, MOGÜRT was a communist company controlled by the Ministry of Transport, which was headed by prominent communist Ernő Gerő. In the NIK, which belonged to the Ministry of Industry (which was led by Social Democrats), the Social Democratic Party had slightly stronger positions. By engaging in negotiations in both directions (i.e. with both NIK and MOGÜRT), Zsigmond Uhri became embroiled in the struggle for economic and political influence between the two parties or, more precisely, between the networks which were organized around these parties, and in doing so, he also created conflicts among the workers at his factory.[41]

According to Vörös, there was pressure from above to hand over the leadership of the Factory Committee to the communists, but this had not yet taken place in 1947, as the Social Democratic Party group was more than twice as big as the Communist party group.[42] There were sever conflicts about the future of the company between the various groups of workforces. According to some complaints, some "communist" workers have had even proclaimed that the Social Democrats would have to go "if we become MOGÜRTs."[43]

In August 1947, NIK finally took over the company, simply because the company could no longer pay its employees weekly wages. At the time, Béla Zerkovitz, the son of the operetta and pop-song composer of the same name, who was a bodywork design engineer, was placed in Mátyásföld without a specific position, but practically as a factory manager. The legal situation was settled on September 30, 1947, when, in the presence of a notary, Zsigmond Uhri and his sister, Mrs. Matild Uhri László Kelecsényi, granted a call option for their company to a NIK owned Company.[44]

In the first half of 1948, the series of conflicts which had begun at the company in 1945 between the Communist Party and Social Democratic Party organizations (and the groups of workers who had sympathies with one of these two camps) came to an end, at least on the surface. The two parties were unified

41 On party political divisions in the NIK, see the interview with Sebestyén Endre Bakonyi, who worked at the center at the time (and who had been a part of the illegal Communist Party since the early 1930s): "Q: And what was the focus of the debate between the Social Democrats and the Communists? Beyond the struggle for power. A: All the questions concerning the struggle for power in the end. So whatever economic question happened to arise, it was triggered by a power struggle." OHA 1001. 107.

42 MNL OL Z 517. 20. Vörös's letter dated October 23, 1946 and the list of members of the Hungarian Communist Party factory group.

43 MNL OL Z 1192.1. Factory meeting on May 27, 1947.

44 Ibid.

(which effectively meant that the Social Democratic Party was swallowed by the Communist Party), and in the course of this process, some of the people who had belonged to the Social Democratic organization simply were not made part of the new party. Others, János Vörös, for instance, who had served as the Social Democratic Party Secretary at the factory simply left the company. As part of the process, the Factory Committee, which had exerted remarkable power, also lost its role under the new management.[45]

Technocrats and Party Power

The company fell into the hands of the state, or rather the MDP, which had slowly become the only party. Every organized, independent group which or actor who could have had any influence in the life of the company (which in the meantime had been merged with a smaller company and given the name Ikarus) disappeared. Some informal groups remained, however, and the conflicts among them were very important from the perspective of the development of the company. The network of technocratic engineers constitutes one such informal group, while the other was the group of skilled laborers. Each of the two circles had its own practical space for maneuver, and they were in conflict with the party, or more precisely, with the individuals delegated by the party to prominent positions at the head of the company.

As Philip Scranton has noted, citing many examples from Hungary and Czechoslovakia, in the early stages of state socialism, in contrast to the politically appointed company managers who had little weight among employees, the technical management of the factories in many ways had effective local control of the company.[46] In fact, technocrats were an indispensable component of the functioning of state socialism, operating according to their own logic, distinct from the political-ideological and power-driven mode of the party, as the history of Ikarus reveals.

In the age of modernity, technocrats seek to establish their positions and legitimize their roles in making investments and economic and technical decisions on the basis of some competence founded on scientific explanations and rational implementation (for example, the standardized knowledge of engineers or the expertise of economists).[47] Technocrats are not political utopians, nor could

45 This was the case in other factories that were put under the management or ownership of the state.

46 Scranton, "Managing Communist Enterprises."

47 Doering-Manteuffel, "Ordnung."

they be considered social engineers in the sense in which Popper, for example, defined these concepts. Utopian thinking first envisions a distant ideal society and only then begins to look for the means to achieve this society (often including violence). Social engineers are captivated by visions of utopias, and they feel themselves called upon to transform society.[48] Technocrats, in contrast, base the legitimacy of their own work and endeavors on "technique" itself, i.e. the precise, scientific knowledge of how to do something. Their point of departure is expert planning and implementation founded on the empirical sciences, not a distinct political goal. They work from the presumption that social and economic problems can be addressed with the use of rational procedures based on precise understandings of the sciences. Thus, though they do indeed follow visions which derive from the mentality of their professional surroundings, they are not laboring in the pursuit of political utopias.[49]

In the state socialist regime, following the nationalization of industry, with the essential liquidation of the market economy, there was more and more space for the emergence of the technocratic ethos. This ethos could also be easily linked in the discourses to the language of the party state. For instance, in connection with Ikarus, the following contention was made: "Yet today, the designer has been given such a vast space to make his wildest dreams come true, a space he never could have counted on in the capitalist economy. […] Nothing is impossible for the engineer if he has the suitable materials in his hands."[50] Technical skill was often linked with socialism in the rhetoric: "Under socialism—the progressive social order—the sciences play a particularly big role. We must concede that this is entirely natural if we keep in mind that the task of the sciences is construction, the search for the new, the systematic summary of natural and social laws, and the use of correct conclusions in everyday life, or in other words, to work in the service of progress and development."[51]

After the nationalization of the large enterprise sector, technicians with formal training were able to do far more than link their technocratic manner of speaking (i.e. a kind of discourse that emphasized the need for rational, technical knowledge) with the language of socialist state politics at the time. The owners

48 Popper, "Utópia és erőszak." Leucht, "Ingenieure."

49 This understanding of the technocracy differs in part from the way in which technocratic-minded business leaders were distinguished from managerial-minded or bureaucratic ones in the Kádár era. Szalai, *Gazdasági mechanizmus*. On the technocracy: Renneberg and Walker, "Scientists." Laak, "Planung." Caldwell, "Plan."

50 Valent, "Autóbuszközlekedésünk."

51 Prohászka, "Gépjárműközlekedésünk," 250.

of the enterprises had disappeared, and the centralized management bureaucracy was unable to perform ownership functions as effectively as the earlier owners had. This gave technocrats considerably more room for maneuver on the level of individual companies. Furthermore, the emerging layer of technocrats was significantly more institutionalized than it had been in the earlier period had been.

One element which was central to the restructuring of the technocratic field in 1948 was the formation of the Alliance of Technical and Natural Science Associations (Műszaki és Természettudományi Egyesületek Szövetség, or METESZ), which gave engineers a shared forum and thus brought them together as a group. In the first presidency of METESZ, university professors, state secretaries, and high-ranking ministry officials met with CEOs of large companies and Ernő Gerő, the politician who was overseeing the entire area. METESZ was an association which included several member organizations. Following the wave of nationalizations, ten scientific associations dealing with branches of industry were formed in 1948 and 1949, and the mining and metallurgy associations which had existed for a long time also joined.

As a member organization of METESZ, the Mechanical Engineering Scientific Association (Gépipari Tudományos Egyesület, or GTE) was responsible for the automotive industry. The founding leaders of the Association included communist engineers, politicians or ministerial leaders, technical manager (Dezső Winkler), who had started his career as an engineer in large-scale industry before the war, a university professor and a member of the older generation, and other mechanical engineers, who had worked as leaders and designers of large enterprises.[52] The composition of the leadership of the association made it possible for it to reach groups of technical experts who originally had kept their distance from the Communist Party, and it also enabled the association to create opportunities for these individuals, within the frameworks of the system, for participation in professional public life.

Alongside the association, there was also a surprisingly expansive vehicle research base in Hungary at the time. In addition to the groups at large companies who dealt with such issues, there was also the so-called National Automobile Experimental Station (Országos Autómobilkísérleti Állomás), which functioned under the direction of the Ministry of Transport and Postal Services. More important was the Vehicle Development Institute (Járműfejlesztési Intézet,

52 *Ki kicsoda az 50 éves Gépipari Tudományos Egyesületben.*

JÁFI), which was created to further the centralization of technical design in the automotive industry. It was put under the leadership of Dezső Winkler (who remained in this position until 1968). Winkler owed his reputation in the automotive industry to the fact that he oversaw the development of one of the few truly successful Hungarian military innovations in World War II, the Botond all-terrain vehicle. The institution he ran became a kind of hub for engineers who had worked in vehicle development for military purposes during the war, and who worked here for the socialist vehicle industry. Their careers offer examples of the trajectories of the professional lives of technocrats, for whom the year 1945, which was pivotal in so many other respects, did not constitute a break.

Technicians working in research institutes and the corresponding departments of large companies also did not form a homogeneous group in all respects. There were generational differences, for instance. But these difference notwithstanding, together they began to form a technocratic community which was essential for state socialism. This is why this community had comparatively remarkable influence, not to mention room for maneuver, even if the individuals in this community were still vulnerable to the whims of the dictatorship. This layer of technocrats, with its associations and professional journals, was institutionalized in the first years of state socialism and created a sphere where individuals could assert themselves on the basis of the professional considerations, even given the pressures to confirm politically. The role of technocrats has been highlighted in many studies, which have called emphasis to their role in the development of some large companies,[53] but it is important to note that in this case it was not just the individual technocrats who shaped the development of the party-state economy, but an institutionalized technocratic network.

At the Ikarus company, by relying on their professional competences, the technocrats could even get into conflicts with the party and some of its representatives. Their place in the larger field of technocrats constituted a source of strength and even authority for them. Drawing on this, they were able and willing to enter into lengthy conflicts with the party's economic policy leaders over issues concerning the construction of buses. In order to understand this, it is worth pausing for a moment to consider the technical and historical turning point in bus production that took place in the 1940s.

After the Second World War, the production of buses all over the world essentially separated once and for all from the production of trucks. Buses with

53 Fava and Vilímek, "The Czechoslovak Automotive Industry."

self-supporting bodywork were considered pioneering experiments within the industry. The body was no longer fitted to the chassis (which included all the main units and was capable of propulsion). Rather, the light-metal body itself was designed so that the chassis, the engine and powertrain, and the steering gear could then be built into it.[54] This shift in the industry was in part a consequence of a change to the production of airplanes that had taken place during the war, because the self-supporting bus bodywork was based essentially on an adaptation of the construction methods used to make aircraft fuselages. During the war, the Ikarus factory was used for the production of airplanes, and the industrial knowhow gained in this process was then familiar to the engineers at the plant.

As part of their naive vision for cost-effectiveness, however, the politicians responsible for decisions concerning economic policy wanted the engines and the chassis for the buses to be made using the same main parts that were used for lorries (and other vehicles). Therefore, the designers at the factory worked on plans for the buses that they were expected to provide. Nevertheless, Cséfalvay and Zerkovitz did not give up on the idea of using self-supporting bodywork, and they continued to work on designs for these vehicles, while of course also continuing to develop designs as requested by the policymakers. It was not until 1955, with the production of the Ikarus 55 model, that a self-supporting bus was actually made by the plant, and that could be regarded as a success.

Zerkovitz and his engineers achieved this success by coming into conflict not only with ministerial superiors, but also with the organ of the party which had oversight in area and the director of the company. Furthermore, in 1952, the ÁVH (the State Protection Authority) launched an investigation against Zerkovitz on charges of sabotage.

At the meetings of the district party committee, the "technical intelligentsia" working at Ikarus and Béla Zerkovitz himself, who, as a non-party member, never attended the meetings, were regularly criticized behind their backs. Szőcs, the company's director, who was the fourth person to hold this position since the company had been nationalized, complained at a meeting of the district party committee that Zerkovitz had "already accustomed the workers to working with him, so they believe what he tells them."[55] In its report to the Budapest Party Committee, the XVI. District Party Committee reproached Szőcs for failing to

54 Michelberger, "Előszó." Pál Michelberger, who originally was an airplane engineer, became an engineer at Ikarus in 1957.

55 BFL XXXV.157.a. 3. 257. December 14, 1951. Sitting of the XVI. District Hungarian Workers' Party Committee.

discipline Zerkovitz adequately. "It was also a failure on the part of the director to show opportunistic conduct in removing the hostile elements that had infiltrated the technical management," according to the committee.[56]

In the debate over the report of the XVI. District Party Committee, Szőcs accused the technical management of the company of having been responsible for the 1951 Christmas riot at Ikarus.[57] The critical remarks concerning Ikarus eventually reached Ernő Gerő, the leader of the MDP who was responsible for economic policy, who went so far as to speak publicly about the "mistakes" which allegedly had been made at the company: "At Ikarus, when designing the bus type 30, which is now so enthusiastically advertised by our papers and I think not without reason, the norms [meaning the expectations according to which an individual's workers performance was assessed and thus wages were determined] were set for the first series, and they did not take into account that, later, the tools, equipment, and working methods had improved significantly. Of course, this meant a loosening of the standards."[58]

The ÁVH also launched an investigation against the technical management of Ikarus under the suspicion sabotage. Their concerns with regard to state defense were focused primarily on Béla Zerkovitz, who had been under continuous observation since 1952. They believed he had been making mistakes that impeded completion of the plans issued by the regime. They also suspected him of hindering the labor competition movement[59] and the switch from hourly wages to piece rates, which was one of the most important tools used by the regime in its strivings to improve production.[60]

However, Zerkovitz was not arrested or even removed from his position as chief engineer until 1957. Relying on his professional competence, he was able to make use of the spaces in which the specialists and technocrats operated. He was able to remain largely independent in technical matters within Ikarus and also had room for maneuver to convey his ideas. According to the recollections of Paul Michelberger, who was his successor at Ikarus, "he was a very good-natured man. Non-party, religious."[61] He seems to have been one of the poles

56 BFL XXXV.95.a. 52. Minutes of the March 18, 1952. Sitting of the Budapest Party Committee.

57 Ibid.

58 Gerő, "A döntő tervév," 232.

59 A strategy used by the regime to motivate workers by placing them in competition with one another and offering rewards to those who outdid their peers.

60 ÁBTL 3.19. V-141867. Dr. Emil Hant's investigation dossier.

61 Szentgyörgyi, *Mérnök – tudós,* 128.

in field of automotive technology in the first half of the 1950s.[62] Relying on the institutionalized technocratic field, Zerkovitz was able to overcome the opposition of diveres representatives of the party-power and use his design ideas in series production. Naturally, he was not the only person to work on the designs. A team of engineers led by Cséfalvay worked on the detailed designs of the buses. But Zerkovitz, who (it is worth remembering) was not a member of the party, was the person who regularly published on the subject, represented the idea as the chief engineer at the company, and organized the work process. The engineer and experts did not simply perform tasks directly related to implementation, and with regards to investment decisions and directions of development, they were not limited to a subordinate preparatory function. Rather, by using the technical and scientific forums which were available to them, they also played important roles in initiatives which had consequences with regard to content. They also devoted some of their energies to securing orders, which meant that they assumed entrepreneurial functions, probably because, according to their assessment, they could not rely on the economic management bodies of the party state or the cumbersome foreign trade apparatus to look for a "market" for their technically innovative products.[63]

The political leadership had an urgent need of technocrats to be able to run the economy of the country. Indeed, with the disappearance of the owners, the technocrats in many ways took over some of the entrepreneurial functions, because these functions had fallen on them and not on the company leadership which represented the party.[64] As a clear example of the success of the efforts of the technocrats, beginning in 1953, a separate experimental plant was in operation in Mátyásföld where work was done on the scientific development of new constructions. A design team was also set up at the time.[65] With this, the two dominant directions in technocratic professionalism in the automotive industry, technical design and the industrial design, were given institutional form in Ikarus.[66]

It is not entirely clear just how cost-effective the operations of the technocracy in the socialist economy were or how they were tied to budgeting.

62 For the debate see: *Közlekedéstudományi Szemle* from numbers 11–12, 1953 until number 5, 1954.

63 FSZEK BQ 0910/365. Jenei and Szekeres, "Az Ikarus Karosszéria és Járműgyár története," 156.

64 Boldorf, *Governance in der Palnwirtschaft*.

65 Jenei and Szekeres, *Az Ikarus*.

66 At the same time, during the period when Imre Nagy served as Prime Minister, steps were taken in other areas to institutionalize the technocracy, to "rationalize the organization and operation of economic policy." Rainer, "A szocializmus újratervezése," 27.

During the war, given the exigencies faced by the government and military, investments already functioned according to "soft budgetary constraints." As the factory reports which were submitted every year to the authorities, Ikarus had needed to take advantage, from year to year, of these "soft" constraints. After nationalization, a larger injection of capital was made to address the remaining debts from the earlier period and the lack of working capital, though even after this it remained necessary, year in, year out, to make up for losses of working capital, while the volume of production was growing rapidly.[67]

The budget problems, of course, were noticed by the party state leadership, which took steps to address them. In principle, the fight against the creation of excess scrap materials was intended to improve cost-effectiveness, as was the thriftier use of materials and the minimalization of waste in the production process, but the most important measures in this campaign were the effort to keep norms under continuous control, the transition to a system of pay based on performance, the organization of labor competitions. The use of these kinds of tools and the adoption of these approaches, however, necessarily led to conflicts with labor.

Skilled Workers and Party Power

After the nationalizations, it became increasingly clear that the companies were unable to provide the kinds of benefits which workers had managed to acquire in the earlier period. Several benefits in kind which had been considered more rights than benefits were left out of the collective contract, and the number of overtime hours and the amount of overtime pay were both dramatically reduced. The collective contract for 1949 year again had an ominous "echo" among workers, mainly due, for instance, to the obligation to report "obsolescence" of norms as a consequence of improvements in production technology.[68] In 1948, the average annual wage among workers was 10,366 forints. By 1949, it had dropped to 7,921 forints.[69] And this process did not stop here. As a result of the projected process of "standardization of norms" for the upcoming year (1950), average wages dropped by a nominal 35.5 percent at Ikarus. However, according to a report prepared for the Budapest Party Committee, wages were expected

67 MNL OL XXIX F 187–r. 178. d. Factory assessment.

68 Jenei and Szekeres, *Az Ikarus*, 86.

69 Ibid., 107.

to increase, because workers would see that the norm could be exceeded.[70] "Standardization of norms," which really meant wage cuts, was met with an array of forms of resistance. Accusations concerning "manipulation" of norms were also raised in party disciplinary cases.[71] The institution of standardized norms and competition among labor threatened the practical control of workers over work processes. Workers perceived these efforts to exert control as a limitation on and interference with their autonomy in relation to work processes and also as an irrational step from the point of view of production.[72] This obviously affected primarily those workers who had been at the company before it was nationalized, especially skilled workers, who were accustomed to their work being important and valued and therefore were also accustomed to enjoying a degree of autonomy. They were also used to having some institutionalized room for maneuver through their trade unions or, after 1945, through the factory committee, but with nationalization, they had also lost this.[73] As a result, there was "a certain degree of abstention from work among the workers."[74] The prevailing mood at the plant seemed to suggest the potential for violence, and as was noted, measures taken to ensure calm were not entirely effective: "The raising the factory fences, pulling out the wires, and the erection of watchtowers with floodlights and telephones also did not have a positive influence."[75]

As a consequence of these changes, workers at Ikarus showed little enthusiasm for the party-state system. On the basis of the minutes of the XVI. District Party Committee meetings, the MDP seems to have had very little actual influence over the workers at the factory. There were frequent complaints about political indifference among the workers, and a recurring topic of discussion at the party committee meetings was that the party organ at the Ikarus factory was falling apart. Very few people actually attended the meetings, it had no real contact with the workers, and it did little substantive work. Most the workers

70 BFL XXXV.95.a. 23. The report prepared for the August 11, 1950 meeting of the Budapest Party Committee on the effects of "standardization of norms." See Varga, "Pártunk nem ismerte a csüggedést," 55.

71 BFL XXXV.95.a. 47. The Budapest Party Committee of the Hungarian Workers' Party.

72 "220 buses are parked in the courtyard, they all are parked because they are missing glass clocks, speedometers, and bodies for the wheels." Why would they work, then, in pursuit of work-competition goals if the buses would then just sit in the courtyard. This is how the attitudes of the workers to the work competitions were described. BFL XXXV.157.a-3. 257. December 14, 1951.

73 On the process and consequences of the Gleichschalting of trade unions, see Varga, "Pártunk nem ismerte a csüggedést," 34–58.

74 Report of leading director Kálmán Urda on June 13, 1949. Jenei and Szekeres, *Az Ikarus*, 89.

75 FSZEK BQ 0910/365. Jenei and Szekeres, "Az Ikarus Karosszéria és Járműgyár története," 150.

who were selected at the Ikarus Factory to attend the party school or the various instructional programs never played roles of any prominence or importance.[76] The "village tour group" which was organized at the company (these groups were sent to rural communities for propaganda purposes) had to be disbanded because of problems with discipline.[77] In 1950, there was also a "shameful" occurrence on May 1, when no one was available to carry the Ikarus placard at the parade, so the placard was simply left in the factory.[78]

The workers' demands, which for the most part they only made felt in a diffuse way (felt as something of a prevailing mood), in general were not considered feasible by the party authorities. Furthermore, in the wake of the many conflicts, some party functionaries seem to have thought of the workers as enemies of their party, and probably with good reason at times.[79] After the disturbances in December 1951, for instance, when the new party secretary of Ikarus tried at the meeting of the district party committee to represent some demand made by the Ikarus workers, this proposal was rejected. The district secretary of the MDP offered the following argument in opposition to the workers' demand: "If we fall into the barge of workers, then next week they might demand that we let them do the work for the week in five days."[80] The conflict described in the introduction to this essay may have been smoldering precisely because of these kinds of tensions, though other concrete factors contributed to its eventual outbreak.

According to a factory assessment dated October 3, 1952, only slightly more than half of the manual laborers were employed on a piece rate basis. The rest were paid hourly wages, though the goal was to have as many employees as possible on piece rates, as this was supposed to motivate them to work more efficiently.[81] According to a domestic affairs report on Zerkovitz's performance at the time, he would allow the work to fall behind during normal working hours. He would then need employees to work overtime, for which they were

76 BFL XXXV.157.a.1. 6. March 21, 1954. XVI. Secretary's report to the district party meeting.

77 BFL XXXV.157.a.3. 65. May 26, 1949. Sitting of the Mátyásföld Budapest MDP.

78 BFL XXXV.157.a.1 3. Minutes of the XVI. District MDP Party Conference. June 4, 1950.

79 Mark Pittaway calls attention to the paradoxical fact that the regime, which was in principle a collectivist system founded on the promotion of equality, sought to implement a system of individualized performance pay. This was perceived by the skilled workers as an attack on them, and they strove to maintain the traditional hierarchy in the workshops which was based on skill level, age, and gender. Pittaway, "The Social Limits."

80 BFL XXXV.157.a.3. 290. Sitting of the XVI. District Party Committee. March 13, 1952.

81 MNL OL XXIX F 187–r. 178. Factory assessment.

naturally paid more, thus incurring additional costs for the factory.[82] The district party committee was also of the opinion that there was too much unjustifiable overtime pay at Ikarus.[83] It is quite possible that Zerkovitz used this strategy to alleviate tensions at the factory concerning wages, which also at least in part explains why he enjoyed the support of the skilled workers, as Szőcs noted in his complaint to the XVI. District Party Committee.

The most important problem, however, was that only half of the manufacturing work carried out was done in accordance with an appropriate operations plan.[84] According to a long report of chief engineer Antal Hirmann, who was Zerkovitz's successor, the plant did indeed produce the models in the series, which were manufactured in relatively small numbers, "under the oversight of several of the superb engineers at the plant […] and a relatively large number (considering the number of vehicles manufactured) of first-class skilled workers," without the technical documentation that would have been necessary for standardized production. The production of the buses rested on an industrial work culture in which the bodywork mechanics were the key figures. At the plant, they were referred to as "emperors of sheet metal," able to produce any type of bodywork panel with a small amount of mechanized labor.[85] Clearly, they were people who did not consider the technical documentation, which specified precise standards, terribly important.[86] This skilled workers solved the various problems that arose in the course of the production (which were caused, for instance, by the varying quality of the materials provided by the suppliers) simply in oral consultation with the engineers and on the basis of their own experience in the profession. In other words, when it came to the production of buses, the plant relied to a large extent on the experience and knowledge of its engineers, and first and foremost its skilled laborers, who performed the tasks they were assigned without precise documentation.[87]

82 ÁBTL 3.19. V-141867. The investigation dossier on Dr. Emil Hant and associates.

83 BFL XXXV.157.a.2. 18. July 9, 1951. Session minutes of the XVI. District Party Committee. Here, he repeated his contention that, "it was a mistake not to have been adequately consistent in the question of the technical intelligentsia."

84 MNL OL XXIX F 187–r. 178. Report of chief engineer Hirmann.

85 On "emperors of sheet metal," see Michelberger, "Előszó."

86 "The workers consider the documentation completely unnecessary […] This leads to particularly challenging problems in the case of a few of the old trained laborers who really can work." MNL OL XXIX F 187–r. 178. Hirmann's report.

87 Ibid.

Thus, the engineers who were struggling with the challenges of designing self-supporting vehicle bodies were able to work well with skilled workers who, given their experience, were able to provide individual, even creative solutions to the tasks and who, as long as their financial interests were taken into account, were ready to produce the number of models ordered. Through the maintenance of a work culture that seemed natural for a significant proportion of the skilled workers, a community of shared interests was formed between the technical leadership at Ikarus and the core of the skilled workforce. This community of shared interests came into conflict with the representatives of the party, who were opposed by both the skilled workers and the technicians.[88]

Conclusion

The story of these tensions at Ikarus offers an example of the ways in which what was in principle a "socialist company" actually functioned according to earlier practices and expectations and had very few new elements in the early stages. In this period of the history of the company, its path had essentially been decided by the earlier events. Nationalization only made dependence on the state an undeniable fact, but this dependence had become a practical reality during the war. As the new owner, the party could do little to shape the company, the profile and work culture of which (which made skilled workers indispensable) had been formed in the first half of the 1940s. Instead of the state party, which in theory had ownership rights, the technocrats were in fact in charge of determining the development of the company. Though they were compelled to adapt to the party-state, the technocrats constituted an independent component of the regime which was of a fundamentally different nature from the ideological-political logic, and they were able to prevail in conflicts with the political power. However, the power of the party in the factories was limited not only by the presence of technocrats in the early socialist enterprise. When the party took measures to implement changes, it ended up threatening the identity of the

88 As Mark Pittaway has emphasized, in contrast with the notion that the influential skilled workers at the workshops gained some autonomy only in the Kádár era, skilled workers actually enjoyed room for maneuver even in the period of the most rigid Stalinism. They had this degree of autonomy specifically because of the shortage economy, as their cooperation was necessary in order to ensure that the plants could reach the expected levels of production. Pittaway, "The Reproduction of Hierarchy." But the dominant groups of skilled workers were able to cooperate not only with the general management. At least at the Ikarus, the groups of skilled workers were able to work with the technocratic wing directly responsible for the management of production.

workers (which was strongly linked to the factory and which had a solidarity which was rooted in wartime experiences) and provoked violent conflict in which the technocrats, who had their own conflicts with the party authorities, acted as allies of the workers.

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Ukrainian Fashion Houses as Centers of Soviet Fashion Representation

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The study examines Soviet fashion houses as fashion corporations with an extensive structure and a certain autonomy which served as centers for the development and representation of Soviet fashion. These state institutions were created in the capitals and large cities of the Soviet republics. The Moscow All-Union Fashion House acted as a methodological center for fashion houses of all Soviet republics. The Ukrainian SSR was one of the important centers of fashion development in the Soviet Union, and it included six general orientation and five specialized fashion houses, as well as the Ukrainian Institute of Assortment of Light Industry Products and Clothing Culture. Based on a wide range of archival sources and interviews with fashion house workers, the article reveals the structure and operation of Ukrainian fashion houses in the period between 1940 and 1991 and also examine their cooperative endeavors with garment enterprises and research institutions. The technology of clothing production by designers, the processes of approval to which these technologies were subjected by art councils, and the organization of exhibitions in the USSR and abroad are also considered.

Keywords: Soviet fashion, fashion house, light industry, Soviet Union, Soviet Ukraine, fashion corporation, art council.

As the nineteenth-century Russian playwriter Anton Chekhov wrote in his comedy *The Wood Demon*, "In a human being everything should be beautiful: the face, the clothes, the soul, the thoughts." Although Chekhov was not referring to the USSR and its fashion industry, his now famous saying served as a slogan for the so-called "new Soviet person." The "new Soviet person," a hard-working, selfless member of Soviet socialist society, was cast as the embodiment of the harmony of individual and societal interests. This person was supposed to express this harmony through his or her every act and accoutrement, including clothing, to which particular attention was devoted in the second half of the twentieth century.

Soviet fashion is a complex phenomenon which combines cultural, social, aesthetic, and ideological aspects. Clothing is arguably also one of the most important symbolic languages of a given society, and the production of clothing

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is a way to control the appearance and visual vocabulary of the population, as well as a way to interfere in everyday life through a regulated market for fashion products.

Today, Soviet fashion is being made the subject of study by representatives of various disciplines, including art criticism, culturology, philosophy, and sociology. Rather recently, it also began to be actively studied by historians. Among the studies on the history of Soviet Ukrainian fashion, it is worth noting the works of Ukrainian culturologists Zenovia Tkanko and Maria Kostel'na.[1] In her book *Fashion in Ukraine of the Twentieth Century*, Tkanko points out the most distinctive features of the styles and trends that influenced the development of Ukrainian fashion.[2] Kostel'na focuses in her research on the ethnic direction in the work of Ukrainian fashion houses designers who were active in the middle of the twentieth century or the beginning of the twenty-first century.[3] She attempts to reconstruct the stages of development of Ukrainian fashion houses, focusing on the evolution of the ethno-paradigms of the Kyiv, Lviv, Odesa, Kharkiv, and Donetsk schools of fashion design.[4] She also covers the creative path and the development of ethnic trends of Ukrainian designers such as Marta Tokar, Lidia Avdeeva, Hertz Mepen, and others. While both Tkanko and Kostel'na consider mainly the cultural aspects of the development of fashion trends, including the period of Soviet Ukraine, they also examine the distinctive elements of fashion development in Ukraine and Soviet light industry in general.

The works of the Russian historian Sergey Zhuravlev and the Finnish sociologist Jukka Gronow are significant for the study of the history of Soviet fashion.[5] Zhuravlev and Gronow consider the history of fashion industry development in the USSR and analyze changes in the attitudes of the authorities and society towards fashion.[6] Their works deal with various aspects of Soviet fashion, including the creation of the design system in Soviet Russia, discussions about fashion in the Soviet public discourse, individual tailoring and designing clothing based on the example of the State Department Store (GUM), and so on. Their detailed examination of the Tallinn House of Fashion Design,

1 Tkanko, *Moda v Ukraini*; Kostelna, "Tvorchist dyzaineriv."
2 Tkanko, *Moda v Ukraini*.
3 Kostel'na, "Tvorchist dyzaineriv."
4 Ibid.
5 Gronow and Zhuravlev, *Moda po planu*; Gronow and Zhuravlev, *Fashion Meets Socialism*.
6 Ibid.

which is based on interviews and archival materials, is of particular value to the scholarship on the broader subject.[7]

Historians Larissa Zakharova and Natalia Lebina are also actively studying the fashion world of Soviet Russia, and Djurdja Bartlett and Judd Stitziel are studying socialist fashion as a phenomenon. Historian Larissa Zakharova has examined the trips taken by Soviet fashion designers to France and attempts to cooperate with the Parisian fashion house *Christian Dior*, and they have called attention to the significant French influence on fashion trends in the Soviet Union.[8]

Natalia Lebina's works are dedicated primarily to the study of Soviet everyday life and the image of Soviet people, including aspects of their appearance, clothing, and behavior.[9] In the monograph *Man and woman: body, fashion, culture. The USSR – Thaw*, in which Lebina scrutinizes the relationship between a man and a woman from various perspectives, she also examines fashion as well.[10] Lebina alo considers the activity of the All-Union Fashion House and the Leningrad House of Fashion Design, which is particularly important for this study.

In *Fashioning Socialism: Clothing, Politics, and Consumer Culture in East Germany*, German researcher Judd Stitziel thoroughly examines the emergence and development of the socialist fashion industry and analyzes discussions about the aesthetics of clothing, drawing on the example of East Germany.[11] Stitziel reveals the economic and political conditions under which the fashion industry in Germany operated.

FashionEast: The Spectre that Haunted Socialism by British researcher Djurdja Bartlett is dedicated to the phenomenon of socialist fashion. Bartlett considers the institutionalization of fashion and the formation of the "official socialist costume" as an ideological construct.[12] She also touches on the roles of the Council for Mutual Economic Assistance (CMEA), within the framework of which the USSR also cooperated with the socialist countries in the formation of socialist fashion, where corporate ethics and culture were also visible. In addition to considering clothing design in the USSR, Bartlett also devotes considerable

7 Gronow and Zhuravlev, *Moda po planu*, 320–44.
8 Zakharova, "Kazhdoy sovetskoy zhenshchine," 339–66.
9 Lebina, *Povsednevnaya zhizn*; Lebina, *Muzhchina i zhenshchina*.
10 Lebina, *Muzhchina i zhenshchina*.
11 Stitziel, *Fashioning Socialism*.
12 Bartlett, *Fashion East*.

attention to Eastern European countries such as Hungary, Czechoslovakia, Poland, the GDR, and Yugoslavia.

Thus, the research topic on which I focus in this inquiry is relevant and interdisciplinary and has broad potential for further research, though it has not yet gained the recognition it merits among professional historians. My inquiry is the first in the field to consider Ukrainian fashion houses as Soviet corporations responsible for representing fashion in Soviet Ukraine and abroad. Questions about fashion houses, the features of their internal structures, and the hierarchies within which they functioned remain poorly studied.

This paper is based on a wide range of sources, including archival documents, interviews, and periodicals. In particular, I have done considerable work in archives in Ukraine and Russia. The materials include documents from the Ministry of Light Industry, fashion houses, garment and shoe factories, tailor shops *(atel'ye mod)*, department stores, and other institutions that were directly involved in the development and production of fashion goods. Especially valuable are the materials which were produced by the fashion houses, including documents on their organization and functioning, their trips abroad, exhibitions, and cooperative endeavors both within the republic and abroad.

However, after the collapse of the Soviet Union, most of the materials on Ukrainian fashion houses disappeared, and they are not found in the state archives. For the time being, only two archival funds have been identified, namely for the Kyiv and Lviv Houses of Fashion Design. But they are incomplete and do not cover the entire period under study. In contrast, the All-Union Fashion House fund is available in a more extensive format at the Russian State Archive of Economics. Since the All-Union Fashion House was a methodological center for all the Soviet republics, its materials also contain aspects pertaining to corporate cooperation with Ukrainian fashion houses. Additional sources include private archives of fashion houses workers, which contain sketches, photos, documents, etc.

Interview materials are an important part of this paper. Since the interviews were done with fashion houses workers, the features and specifics of work in the fashion houses were shared firsthand by the interviewees. This made it possible to consider the subject from different perspectives, including the perspective of a clothing maker *(konstruktor odezhdy)*, a fashion designer *(khudozhnik-modelyer)*, a fabric artist *(khudozhnik po tkanyam)*, a clothing demonstrator *(demonstrator odezhdy)*, a chief art director *(glavnyy khudozhestvennyy rukovoditel)*, the director of a fashion house, and the head of the raw materials rationing department.

These historical records are valuable sources, since very few "witnesses" were still alive and available for questioning. However, it should also be taken into account that the interviews were done several decades after the fashion houses closed, so respondents may tend to forget or miss some facts. Moreover, the current political situation and public opinion affect how the past is remembered and evaluated today. In some cases, there was a feeling that the people who were being interviewed were still afraid of State Security Committee (KGB) surveillance. For example, respondents refused to speak on tape about the illegal activities of fashion houses or some real statistical information. Against this background, an attempt was made to reach as many fashion houses workers and members of their professions as possible in order to collate the data and determine their relevance.

Regarding periodicals, the emphasis was on Ukrainian magazines, in particular the socio-political journal *Radianska zhinka* (Soviet Woman) and the fashion magazine *Krasa i moda* (Beauty and Fashion). They were two of the most popular and widely distributed magazines in Soviet Ukraine. In these magazines, reports were published on the latest achievements of the light industry in Ukraine and the functioning of fashion houses, and they also contained writings on the image of a modern fashionable person and certain fashion dogmas. The materials of the socio-political magazine *Rabotnitsa* (Worker) and the fashion magazine *Zhurnal mod* (Fashion Magazine) were also used, since they were the most popular such publications in the Soviet Union and contain valuable information on the general Soviet context.

The Soviet Fashion Concept

From the second half of the twentieth century onwards, there were lively discussions in periodicals about the place of fashion in Soviet society, discussions which involved specialists from various fields.[13] As a result of these discussions, fashion was recognized as one of the components of the ideological education of the "Soviet person." The concept of "Soviet" fashion began to be broadcast in every possible way, but primarily through periodicals. Based on periodicals and special literature about fashion by Soviet fashion experts, the characteristic features of "Soviet" fashion were simplicity, modesty, convenience, relevance,

13 In particular, there was an active discussion in the magazine *Dekorativnoye iskusstvo SSSR* (entitled "Discussions about Fashion and Style"). The collection of articles "Fashion: pros and cons" about the role of fashion in Soviet society is also important to my inquiry.

sense of proportion, and good taste. Any slight deviation from the norm in clothing met with a negative assessment.

Emphasis was also placed on the availability of goods: "Dressing nicely does not mean wearing expensive things. Clothing should be inexpensive and elegant at the same time. After all, we create samples for workers."[14] The fabric also did not have to be expensive, even when it was used to make samples which were used in international exhibitions: "Use of cheap colorful fabrics is very important for sewing because it makes clothes accessible to the general public."[15]

Fashion was supposed to reflect the success of Soviet industry. At the same time, the concept of Soviet taste was being formed in the official discourse. It was believed that "the cultivation of taste is one of the important forms of struggle for the formation of Soviet socialist culture, for the cultural growth of all Soviet people."[16] Taste was considered "inseparable from the general culture of a human," and it was regarded as playing an important role in the regulation of consumer behavior and was therefore brought in line with Soviet values.[17]

The question of how to learn good taste was discussed in the pages of newspapers and magazines: "Taste is what we need today. Excess is bad."[18] Periodicals received letters asking for help in understanding what "tastefully dressed" meant.[19] Sometimes, Soviet fashion designers or art historians personally answered these questions in the pages of magazines. In particular, the fashion designer of Kyiv Fashion House Natalia Kalashnikova advised readers to improve their knowledge of culture, visit museums and galleries, and read fiction to cultivate their tastes. "While visiting museums," she advised, "one should pay attention to the color scheme of paintings and their composition, and one should look closely at the plastic expressiveness of sculptures. Clothing also 'sculpts' a person's figure. It is necessary to read more fiction and to be interested in all branches of the arts, especially applied art. This will nurture an artistic sense, and then you can accurately identify everything that is marked by good taste, whether it is a painting, a sculpture, or a dress."[20]

Many publications with characteristic headlines were devoted to the cultivation of taste and the art of dressing in the 1960s–1980s. I am thinking of

14 "Mody," 31.
15 Rovna, "Medali," 32–33.
16 Zhukov, "Vospitaniye vkusa," 159.
17 Ivanova, "Pro vykhovannia," 22.
18 Mertsalova, "Chto chereschur," 30.
19 Kalashnikova, "Yak odiahatys," 30.
20 Ibid.

titles such as "Taste and Fashion," "Needs, Tastes, Fashion," etc.[21] Importance was attached not only to clothing, but also to manners, behavior, correct posture, and the ability to maintain a conversation. In one of the responses printed in the socio-political journal *Radianska zhinka* (Soviet Woman) to a reader's letter, the author contended that "Tastefully selected clothes and shoes may look ridiculous if a person does not maintain his posture."[22]

Advice on how to look beautiful was also given to men: "Dear men, look for it, try it out. The concept of 'fashion,' although feminine, applies equally to you."[23] Referring to the "commandment" to men from the famous French couturier Pierre Cardin, one of the publications emphasized that "a tie which is too bright and expressive and immediately catches the eye is a man's sin number one."[24] The same was true of bright socks. Tips about fashion trends in men's clothing often were made by professional Soviet men's fashion designers.[25]

Considerable attention was also devoted to children's clothes, because it was believed that one had to make an effort to begin cultivating good taste when a child was still in the cradle: "Have you noticed how a child reaches for a bright toy, a colorful scarf? Specialists, artists, and educators believe that this is the first manifestation of the aesthetic perception of the world. What about children's clothes? They play perhaps the most important role in the complex process of crystallization of good taste."[26] The fact that Ukrainian SSR had a separate fashion house, the Dnipropetrovsk House of Fashion Design, which specialized only in children's clothing, offers clear testimony to the importance given to the concept of fashion in children's garb.

One of the most important features of Soviet fashion was the appeal to folk traditions: "Although new equipment and new materials suggest and sometimes dictate new forms of clothing, we should not forget about the importance of nationality. The history of the traditional national costume has left us brilliant examples of the organic unity of the texture of the fabric and ornaments, decorations, a rich synthesis of delicate taste and culture of color. If you follow these patterns, study them thoroughly, our suit in modern processing will be safe from inconsistency, deliberateness, disharmony."[27]

21 Bezvershuk, *Potrebnosti;* Golybina, *Vkus i moda.*

22 "Zovnishnii vyhliad," 24.

23 "Cholovikam," 33.

24 "Khochesh buty krasyvym?" 19.

25 Khokhlov, "Palta," 19.

26 "Malechi," 32.

27 Rovna, "Mody tsoho roku," 30.

Soviet fashion designers collaborated with folk artists, studied national art, visited specialized museums and galleries, were inspired by natural materials, and created their collections on the basis of these influences. Folk clothing was based on the use of ancient ornaments, embroidery, lace, and sewing.[28] The originality and uniqueness of the clothing was seen in the appeals of folk motifs and the ways in which they were combined with newer fashion trends.

Another trend involved the use of motifs from narratives concerning the heroic past of the country, which included the sewing of women's coats with materials from military overcoats, hats in the form of helmets, *budyonovka* created according to the sketches of artist Victor Vasnetsov, etc.[29] It should be noted that the folk theme was relevant throughout the entire period under study. In the pages of women's magazines, in addition to a large number of publications concerning national traditions in clothing, quite often there were samples of folk clothing or national ornaments.[30]

The periodicals also systematically covered competitions for the best drawings of fabrics, clothing samples, knitwear, and hats using Ukrainian folk motifs. For example, in 1965, 72 enterprises in the textile industry and six republic fashion houses participated in such competitions. This shows a fairly high interest and involvement in similar events.[31]

Another feature of Soviet fashion was the creation of clothing ensembles. The ensemble signified a combination of things which were in harmony with one another in color, shape, and decoration. The ensemble was complemented with shoes, a hat, a bag, a scarf, and gloves. It was important to arrange the outfit according to the purpose (were they to be worn in the theater, during a visit to an exhibition, for a casual walk, etc.). The correct creation of an ensemble of clothes was also covered in the section of fashion tips for readers. Taisiya Rovna, a fashion consultant in the Kyiv Fashion House, offered the following suggestions in response to her own rhetorical question: "What makes up the ensemble? A coat and a dress, a coat and a suit, a coat and a blouse with a sundress or skirt, a suit and a blouse, a suit and a vest and a blouse, a jacket and a dress, a half-coat and trousers with a blouse, trousers, a blouse and a vest should be in harmony."[32] The development of the ensemble depended not only

28 Rudenko, "Nevianucha krasa," 24–25.

29 Rovna, "Moda sohodni," 30–31.

30 Rovna, "Za narodnymy motyvamy," 33, "Vizerunky," 33.

31 Malikova, "Mody," 28–29.

32 Rovna, "Ansambl," 31–33.

on the tailoring of the clothes, but also on the proposals made by textile artists, shoemakers, fur masters, and headdress masters.

Soviet Fashion Corporations

In the Soviet Union, a network of state institutions was created which was aimed at development of the fashion industry and its promotion and engaged in clothing production and the formation of the Soviet fashion concept (this network included fashion houses and research and oversight organizations).

Fashion houses were gradually created in all the Soviet republics with a methodological center in Moscow. They were divided into general orientation (houses of fashion design) and specialized (houses which focused on shoes, knitwear, leather goods, workwear, etc.). The first fashion house was opened in Moscow in 1934. With the outbreak of World War II, it was closed, only resuming its activity in 1944. The gradual restoration of clothing and shoe factories throughout the Soviet Union also began in the postwar period. In 1949, the Moscow Fashion House was reorganized into the All-Union Fashion House, and it gradually became a kind of fashion institute with a large number of services and divisions which dealt with the main theoretical, practical, and methodological aspects of fashion.[33]

In the period between 1944 and 1948, fashion houses were established in Kyiv, Leningrad, Minsk, and Riga. These institutions were merged into a single system, headed by the All-Union Fashion House in Moscow. At the beginning of 1949, twelve republican and regional fashion houses had been organized.[34] By the second half of the 1950s, there were 16 of them. In 1977, there were 38 fashion houses in the Soviet Union, 18 of which were in the RSFSR and seven of which were in the Ukrainian SSR.[35] There was by one house of fashion design in each of the other Soviet republics.[36] Thus, given the total number of fashion houses in Soviet Russia and Ukraine, it can be argued that these two republics were the centers of fashion development and promotion in the USSR. It is also worth considering that these republics had large territories and extensive light industry in general.

33 Strizhenova and Temerin, "Sovetskiy kostyum," 1.

34 Gronow and Zhuravlev, *Fashion Meets Socialism*, 79; Gronow and Zhuravlev, *Moda po planu*, 94.

35 The article indicates that Soviet Ukraine had seven fashion houses with a general orientation, but in fact there were six of them. Most likely, this imprecision is due to the fact that the specialized Republican House of Knitwear Models "Khreshchatyk" had a strong position and was often considered to have a general orientation.

36 "Ukraina," 25; "RSFSR," 23; "Sovetskoye modelirovaniye," 3.

In addition to large designing institutions such as fashion houses, there were research organizations that were also entrusted with the responsibilities of providing scientific and methodological guidance and coordinating the work of other fashion designing structures. These organizations included the All-Union Research Institute of the Garment Industry, the Special Art and Design Bureau, and the All-Union Institute for the Assortment of Light Industry Products and Clothing Culture.

The All-Union Research Institute of the Garment Industry was the main scientific institution in the Soviet Union. It dealt with virtually all issues concerning scientific and technological support for light industry. In particular, its functions included the improvement of technologies for design and tailoring, analysis of materials for manufacture, the study of the performance properties of clothing, rationing, making clothing production more efficient.[37]

The Special Art and Design Bureau (SHKB) was established in 1962. Its main tasks included the development of projects for mechanical engineering products and goods for cultural and household purposes, the generalization and promotion of best practices in the field of artistic design of industrial products, the preparation of proposals for phasing out products which were obsolete and unsatisfactory in terms of artistic design, and staging for the production of new types of goods which met modern expectations.[38]

It was this organization that developed a method which made it possible to create various samples, such as items of clothing, according to one basic form and a single constructive basis. According to the Bureau management, the constant renewal of collections through the use of new or different fabrics, décors, and the imaginative redesign of samples without the introduction of any fundamentally new cuts would allow the industry to rebuild easily and provide a wide variety of garments in stores.[39] Articles in periodicals were often dedicated to the study of the experiences of the Bureau's clothing department.[40]

The All-Union Institute for the Assortment of Light Industry Products and Clothing Culture (VIALegprom) was launched in the second half of the 1960s. The Institute studied the range of goods produced by light industry enterprises. It selected the best samples and made recommendations for their introduction, monitored the timely introduction of a new range of fabrics and light industry

37 Gronow and Zhuravlev, *Moda po planu*, 134.

38 Volovich, "Spetsialnoye khudozhestvenno-konstruktorskoye byuro," 6.

39 Parmon, *Kompozitsiya kostyuma*, 128–29.

40 Efremova, "Modelyer rabotayet," 16–19.

products into mass production, and promoted the development of fashion in clothes and the artistic design of fabrics, shoes, and other light industry products.[41]

The Ukrainian Institute of Assortment of Light Industry Products and Clothing Culture (UIALegprom) was founded in 1977. It was entrusted with the task of coordinating the work of and providing methodological guidance for the creative team, which dealt with the creation of a new fashion range. The institute's responsibilities included studying the demands of buyers for light industry products, organizing advertising, and promoting products through television, radio, and print media, organizing art and technical councils, developing, in cooperation with research institutes and fashion design organizations, proposals for introducing a new range of fabrics and other materials clothing and footwear manufacture.[42] It should be noted that the Institute of Assortment of Light Industry Products and Clothing Culture operated only on the territory of the Ukrainian SSR and the RSFSR.

The fashion corporations described above interacted with each other, forming a single mechanism aimed at the development of the Soviet fashion industry. The approach to the design and creation of clothing was meticulous and thought-out to the smallest detail. At the same time, there was a high corporate culture at the all-union, republican, and local levels. Methodological meetings, contests and fashion shows, creative business trips, and employee exchanges were regularly held at the all-union and republican levels. For example, the All-Union Fashion House designer Vyacheslav Zaitsev often visited fashion houses in Soviet Ukraine, where he gave lectures and shared his experience in fashion design.[43]

To unite the team at the local level, joint creative trips were organized to cultural and historical places, as well as "skits" *(kapustniki)*.[44] Designers were given creative days and had opportunities to go on creative business trips both within the country and abroad. There were cases when one specialist had the opportunity to work in three Ukrainian fashion houses (Lviv, Kharkiv, Kyiv).[45] The cohesion of the team is also indicated by the fact that when the new building of the Kyiv

41 RGAE Doklady, dokladnyye zapiski, spravki i pisma, napravlennyye v TsK KPSS po razvitiyu otrasley legkoy promyshlennosti (6 yanvarya – 11 sentyabrya 1965 goda), f. 198, op. 1, d. 85, l. 16.

42 "Moda i vyrobnytstvo," 36.

43 UFHDA Uvarkina, interview, Kyiv, 2017; Avdeeva, interview, Kyiv, 2020.

44 A skit *(kapustnik)* is a comic performance based on humor and satire. In this case, there was a theme about the life of the collective of a fashion house, and some unusual cases were dramatized in a comic manner. The participants were employees at the fashion house.

45 Mikhail Bilas worked as the chief artistic director at different periods in the Lviv, Kyiv, and Kharkiv fashion houses. There is an art museum in his honor in Truskavets (Ukraine).

House of Fashion Design was being built, all employees tried to be involved in the process. At the same time, Svetlana Titova, the director of the fashion house, donated her precious jewelry, throwing it under the foundation of the new building of the fashion house as it was being laid. (Fig. 1.) All of the above served to build a sense of unity among the various colleagues and coworkers, and this made it possible to establish horizontal connections within the fashion house and between fashion houses both within the republic and at the all-union level.

Figure 1. Svetlana Titova (on the right), the director of the Kyiv House of Fashion Design, throws her precious jewelry under the foundation of the new building of the fashion house as it is being laid, 1973. (Private collection of the Kyiv Fashion House designer Lydia Avdeeva, with Lydia Avdeeva's permission)

Ukrainian Fashion Houses: Structure, Operation, and Cooperation

Opening

The Ukrainian SSR was one of the main centers of fashion development in the Soviet Union. There were six fashion houses located in the largest cities in Soviet Ukraine. The first house of fashion design, which was created in 1944, was in Kyiv.[46] Ten years later, the Lviv fashion house opened.[47] During the period of its existence, the Lviv fashion house was reorganized several times. In 1962, it

46 Kostel'na, "Diialnist ukrainskykh budynkiv modelei odiahu," 40.

47 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 3.

was transformed into the Design and Engineering Institute of Light Industry. Shoe and knitwear laboratories were opened at the institute, as was an artistic and experimental laboratory for creating sketches for fabrics, embroidery, lace, and various haberdashery and a laboratory for weaving and printing fabrics. In 1968, it was made back into a fashion house.[48] In the period beginning in 1958 and stretching to the end of the 1960's, Odesa, Donetsk, Kharkiv, and Dnipropetrovsk established their own fashion houses.[49] Much like during the Khrushchev period, the 1960s, 1970s, and 1980s saw the opening of specialized fashion houses in the Ukrainian SSR as well.

Fashion houses with general orientation were entrusted with the task of designing and developing clothes for industrial production and making samples which would be used abroad as examples of the fashion work being done in the Soviet Union. It was also responsible for publishing in fashion magazines, holding fashion shows, and educating Soviet society by implementing the "correct," ideologically consistent canons of Soviet fashion.

The specialized fashion houses, including the Republican House of Footwear Samples, the Republican House of Leather and Haberdashery Goods, the Republican House of Knitwear Samples "Khreshchatyk," the Republican House of Workwear Samples, the Republican House of Model Household Items, served as supporting fashion organizations.[50] In practical terms, there was a need for them, because the main principle of creating fashion collections was the stylistic combination of all elements, or in other words, the creation of an ensemble (clothing, shoes, hats, leather goods).

Each Ukrainian general fashion house specialized in a unique range of products. For example, the Odesa House of Fashion Design worked on the creation of leisure clothes, Kharkiv fashion house focused on light women's dresses, Dnipropetrovsk on children and clothing for teenagers, and Donetsk on creating women's outerwear.[51] The Kyiv and Lviv fashion houses developed an entire product range and were the leading modeling centers of Soviet Ukraine.[52]

48 Ibid., p. 10.

49 TsDAVO Perepiska s Gosplanom USSR i drugimi respublikanskimi organizatsiyami po voprosam legkoy promyshlennosti, 19 iyulya – 15 dekabrya 1962, f. R–2, op. 10, d. 959, l. 54.

50 "Moda i vyrobnytstvo;" UFHDA Uvarkina, interview, Kyiv, 2017.
All these fashion houses, except for the Republican House of Household Models, were directly subordinate to the Ministry of Light Industry of the Ukrainian SSR.

51 LMA Nikiforuk, interview, Lviv, 2015; UFHDA Nikiforuk, interview, Lviv, 2018; Uvarkina, interview, Kyiv, 2017.

52 LMA Nikiforuk, interview, Lviv, 2015; "Moda i vyrobnytstvo;" "Zadum i vtilennia;" "Ukraina."

It should be noted that such specialization by region was a feature of Ukrainian fashion houses.

According to Nadezhda Nikiforuk, the director of the Lviv House of Fashion Design, the Lviv institution was considered the leader in the field of clothing design in Soviet Ukraine.[53] In particular, this was influenced by its relative proximity to Poland, from where it was possible to be the first to get "information from all over the world," as well as the generations of old Lviv masters who had significant experience in clothing design.[54] However, according to official documents, the Lviv fashion house was considered the second in the republic by capacity after the one in the capital.[55] It should also be emphasized that all fashion houses were directly subordinate to the Ministry of Light Industry of the Ukrainian SSR. The fact that two fashion houses were under the same leadership at once is a characteristic element of the Ukrainian fashion industry.

Constant competition between the Kyiv and Lviv fashion houses contributed to their transformation into fashion corporations which had a certain degree of autonomy and also exerted an influence on the development of fashion and fashion trends in Soviet Ukraine. This fact is also confirmed by the number of employees and their extensive structure. From the perspective of the total number of workers in fashion houses in 1962, the largest number of workers was in Lviv (370 people) and Kyiv (298 people) and the smallest was in Dnipropetrovsk (100 people).[56] This indicates the importance of these fashion houses.

Structure and Operation

The structure of fashion houses was quite extensive and consisted of many departments and workshops.[57] Based on the example of the Lviv Fashion House, these included the departments of planning and production, supply and sales, implementation, culture and propaganda, design outerwear, light dresses, rationing of raw materials and the development of technical documentation, and experimental and methodological workshops.[58]

53 LMA Nikiforuk, interview, Lviv, 2015.

54 LMA Nikiforuk, interview, Lviv, 2015; UFHDA Nikiforuk, interview, Lviv, 2018.

55 TsDAVO Perepiska s Gosplanom USSR i drugimi respublikanskimi organizatsiyami po voprosam legkoy promyshlennosti, 19 iyulya – 15 dekabrya 1962, f. R–2, op. 10, d. 959, l. 59–60.

56 Ibid., l. 46.

57 LAD Prikazy po domu modeley za 1968 god, Labor Archive Department of the Lutsk District Council, f. 56, op. 1, d. 1, l. 16–31.

58 Ibid.

Separately, a department of so-called "exposition hall" *(demonstratsionnyy zal)* workers was created, where models were employed to wear garments and show them to the public). In 1968, 16 people were officially employed in this department, including two laboratory assistants and 14 models.[59] This fact indicates the relevance of this profession and its perception as a necessary position in fashion houses. In the employment record, the position was listed as a "clothing demonstrator."[60] It should be emphasized that it was quite difficult to get this position, because alongside a given applicant's appearance (including his or her measurements), his or her education, knowledge of languages, and reputation were also taken into consideration, as was the question of whether he or she belonged to the Communist Party. These various considerations were regarded as important because so-called clothing demonstrators often traveled abroad to show fashion collections, and they were expected to represent the country appropriately.[61]

Fashion shows were held both inside and outside the buildings of fashion houses. There were two halls in the houses of fashion design, the exhibition hall and the exposition hall. The exhibition hall was open daily, except on weekends, and it was accessible to the general public. Collections of fashionable clothes by seasons were shown in the exposition hall. These kinds of fashion shows were held for the Soviet population once a week.[62] Each fashion show was accompanied by comments from an art critic.[63] The art critic provided details for each item of clothing, indicating its style, fabric, the age for which it was sewn, where it could be worn, and what other garments and accessories it should be worn with.[64] A striking example is a shot from the film *The Diamond Hand* (Brilliantovaya ruka), directed by Leonid Gaidai, in which the art critic describes each item of clothing at a fashion show for the Soviet public. Such detailed information was needed in order to ensure that a woman who attended a particular show would understand which items would be most suitable for her and what things she might be able to sew at home on her own.[65] (Fig. 2–4.)

59 Ibid., l. 30.
60 UFHDA Yasinskaya, interview, Kyiv, 2018.
61 UFHDA Uvarkina, interview, Kyiv, 2017.
62 UFHDA Avdeeva, interview, Kyiv, 2018.
63 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 13.
64 UFHDA Uvarkina, interview, Kyiv, 2017.
65 Ibid.

Figure 2. Exhibition hall of the Kyiv House of Fashion Design, 1964
(TsDKFFA od. obliku 2–91364)

Figure 3. Fashion show at the Kyiv House of Fashion Design, 1965
(TsDKFFA od. obliku 2–98033)

Figure 4. Fashion show at the October Palace of Culture in Kyiv, 1962
TsDKFFA od. obliku 2–109980)

Visiting fashion shows were held in factories and plants, at universities, and at other public places. Soviet art critics and fashion designers often held lectures to familiarize the population with the latest trends and promote Soviet style and fashion. Based on archival materials, these visiting fashion shows were popular and in demand among Soviet citizens.[66]

66 TsDAVO Perepiska s Gosplanom USSR i drugimi respublikanskimi organizatsiyami po voprosam legkoy promyshlennosti, 19 iyulya – 15 dekabrya 1962, f. R–2, op. 10, d. 959, l. 58.

The department of Culture and Clothing Propaganda was in charge of organizing fashion shows and thematic lectures which influenced the formation of perceptions concerning fashion among Soviet citizens. The department consisted of art critics and fashion consultants who systematically prepared the necessary materials for the print media, radio, and television.[67] It also contained the most recent foreign literature on fashion and fashion magazines, which were translated, carefully reviewed, and scrutinized by the fashion consultants.[68] The staff also included a photographer who regularly shot fashion shows and work processes and took pictures of items of clothing for periodicals published in the republic, primarily fashion magazines. The Lviv house of fashion design had its own photo laboratory, which was headed by Tanas Nikiforuk.[69]

Fashion magazines and booklets in which new fashion trends were popularized among the Soviet population were mainly published in the capital by the Kyiv House of Fashion Design. Certain attempts to organize the publication of the *Zhurnal mod* (Fashion Magazine) were made by the Lviv House of Fashion Design.[70] In 1959, the fashion house published two editorials of the fashion magazine, but due to the decision according to which fashion magazines could only be published by the fashion houses which were regarded as important on the level of the entire republic, pub of the magazine ceased.[71] This suggests the dominance of the fashion house in the capital. However, the Kyiv Fashion House did not publish a fashion magazine with circulation as wide as, for example, the Tallinn *Siluett*. Basically, the magazines published by the Kyiv Fashion House were small booklets. The most popular Ukrainian fashion magazine was *Krasa i moda* (Beauty and Fashion), published by the publishing house *Reklama* (Advertising), which was also in Soviet Ukraine. Most of the items of clothing featured in the magazine were designed by the fashion houses in the capital and made in the Kyiv clothing factories. This once again underlines the dominance of the fashion houses in Kyiv. Other fashion houses were able to make patterns and illustrations of the new clothing models that were sold to the public. Also,

67 DAK Perepiska s Glavnym Upravleniyem shveynoy promyshlennosti po voprosam proizvodstvennoy deyatelnosti Doma modeley (19 fevralya – 15 dekabrya 1955 goda), f. R–1219, op. 1, d. 68, l. 8.

68 DAK Spravka o rabote Doma modeley za 1955 god, f. R–1219, op. 1, d. 69, l. 42.

69 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 11.

70 TsDAGO Pisma redaktsiy zhurnalov i izdatelstv o rabote respublikanskikh zhurnalov, f. 1, op. 70, d. 2385, l. 16.

71 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 9.

there was a practice of using periodicals to inform the Soviet citizenry about the purchase of clothing patterns in a particular house of fashion design.[72]

The Role of the Designer and the Creation of Fashion Collections

Fashion designers played an important role in the formation of collections and fashion trends in general. Since the task was to create their own Soviet fashion (without blindly copying Western trends), designers had to create original and distinctive items. Artists developed motifs and patterns drawing on folk art, in particular, and actively designed folk themes. For example, Lviv fashion house artists went to the villages in the Carpathian Mountains, where they collected materials and studied embroidery, fabrics, and jewelry and created a folk costume based on what they had found. They were assisted by employees of the Lviv Museum of Ukrainian Art, the Museum of Ethnography and Arts and Crafts, and art critics from the House of Folk Art. They organized classes on various types of Ukrainian arts and crafts, such as embroidery, weaving, knitting, and needlecraft.[73]

In addition, Lviv artists drew sketches for fabrics and independently produced fabrics on hand machines, which made these fabrics unique.[74] They also engaged in cooperative endeavors with masters of folk art from Kosovo.[75] In 1959, the Lviv fashion house established its own weaving workshop, where hand-made looms were used to produce fabrics in the Ukrainian folk style, both decorative and for tailoring.[76] The garments and fabric created in this experimental textile laboratory were presented at prestigious international exhibitions (in cities such as Marseille, Tokyo, and Leipzig).[77]

Fashion designers who had higher special education and proved to be capable artists in the creation of new items of clothing for mass production or as samples of presentation were given a creative day once a week.[78] On this day, they did not come to work. Rather, they were able to visit art museums or galleries, work outside or in the library, and spend time outdoors or in the mountains.[79]

72 "Dytiachi mody," 31.

73 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 7.

74 Ibid.

75 UFHDA Tokar, interview, Lviv, 2018.

76 LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 8; Tokar, *Akvarel*, 10.

77 Tokar, *Akvarel*, 11.

78 LAD Prikazy po domu modeley za 1968 god, f. 56, op. 1, d. 1, l. 36–37.

79 UFHDA Uvarkina, interview, Kyiv, 2017.

In short, they did everything that might inspire them to create a new collection of clothes. Once in six months, they had to report on their creative work. Those who did not report on time were deprived of the right to use their creative days for the next six months.[80] To increase their skills and further the improvement of the designs for sample items of clothing and developed sketches, fashion designers were also provided with studio days.[81] Advanced training courses were held in which participants studied the composition of a drawing,[82] for instance, and there were creative business trips, after which reports were submitted.[83]

To maintain fair competition among designers, contests were often held for the best samples of new garments. There was a book of reviews at the exhibitions in which visitors could write their impressions of a certain item, often noting the creator of the garment in question.[84] Competitions for the best item of clothing were also held among light industry workers at both the all-union Soviet level and within the republic.

In the process of preparing the collection, fashion designers worked very closely with clothing makers and clothing demonstrators. Fashion collections were developed according to certain regulations. The director of the fashion house and the chief art director were responsible for the final results.[85] Collections were divided into industrial and exhibition formats. Industrial collections served as a guide for garment enterprises and were aimed at introducing the items in the collection into mass production within the country. Exhibition collections were also regarded as a forward-looking undertaking *(perspektivnaya kollektsiya)*. Samples of exhibition clothing were included in seasonal collections for display to the public and for international fashion shows and exhibitions.

Particular importance was attached to the exhibition collections, because the garments made by Ukrainian fashion houses represented not only the republic, but the whole country. The best fashion designers were selected for the production of such collections. For example, in the Kyiv House of Fashion Design, two leading fashion designers were always engaged in making sketches for

80 LAD Prikazy po domu modeley za 1968 god, f. 56, op. 1, d. 1, l. 37.

81 Ibid.

82 Ibid., l. 71–72.

83 DAK Otchety o tvorcheskoy komandirovke po obmenu opytom v Vengerskuyu Narodnuyu Respubliku i gorod Rigu, 1959 god, f. R-1219, op. 1, d. 142, l. 1–24; DAK Otchety o tvorcheskoy komandirovke po obmenu opytom v gorod Moskvu i Leningrad, 1960 god, f. R–1219, op. 1, d. 161, l. 1–12.

84 DAK Kniga otzyvov i predlozheniy za 1951 god, f. R–1219, op. 1, d. 25, l. 1–18.

85 UFHDA Yasinskaya, interview, Kyiv, 2018.

exhibition collections, namely Lydia Avdeeva and Hertz Mepen.[86] The sketches made by the designers were approved by the art council. After the sketches were approved, the designer and constructor in the team began to create items of clothing. During this time, clothing demonstrators constantly came to try on the clothes which were being made by the designers involved in the process. Each piece of clothing existed in only one version and was sewn for a specific clothing demonstrator. When the collection was completed, a mini-show of clothes was held with the participation of demonstrators, where the art council approved the final products. The best items were selected for inclusion in the final collection, and things with certain defects were eliminated.[87]

The Art Council of the Ministry of Light Industry of the USSR was responsible for all areas of light industry. Art councils for various branches of light industry were singled out separately from it. In 1967, there were 17 such art councils in various fields.[88] For example, there were art councils on silk fabrics, hats, garments, knitwear and hosiery, footwear, textile haberdashery, etc. Usually, the council consisted of 25 to 40 people. It included a chairman, a deputy chairman, the executive secretary, and members of the art council.[89] The members of the art council were representatives of the Ministry of Trade of the USSR, the State Planning Committee, the Planning and Production Department of the Ministry of Light Industry of the Ukrainian SSR, research institutes, the Republican House of Assortment, sewing and specialized fashion houses, and large sewing enterprises.[90]

In the fashion houses, art councils for garments, divided into big and small, were held. Big councils met approximately once a month and included economists, representatives of trade, the Ukrainian Research Institute of Light Industry, the State Planning Committee, chief art directors, fashion designers, and clothing makers.[91] Small councils met as needed and included representatives of a one of the fashion houses, specifically the director, the chief art director, the chief clothing maker, and fashion designers. They discussed and resolved whatever issues needed to be addressed. There were also councils at sewing enterprises.

86 UFHDA Avdeeva, interview, Kyiv, 2020.

87 UFHDA Yasinskaya, interview, Kyiv, 2018.

88 DALO Prikazy i direktivnyye ukazaniya Ministerstva legkoy promyshlennosti za 1967 god, f. R–2002, op. 1, d. 352, l. 10–12.

89 Ibid., l. 12–32.

90 Ibid.

91 Ibid., l. 17a–18.

It should be pointed out that new items of clothing were not released without the approval of the art council. Furthermore, samples of clothing images of which had been published in periodicals had to be pre-reviewed and

Figure 5. Meeting of the members of the Art and Technical council of the Kyiv garment factory *Zhovten',* 1983
(TsDKFFA od. obliku 0–207692)

Figure 6. Fashion designers discuss a new collection at the Kyiv House of Fashion Design, 1967
(TsDKFFA od. obliku 2–111619)

approved by the art council before being published. (Fig. 5–6.) These facts show the significant influence of art councils on the development of fashion in the country, and they also offer a grasp of the bureaucracy of the processes.

Foreign Fashion Exhibitions

The Lviv and Kyiv Houses of Fashion Design actively participated in foreign exhibitions and fashion shows and successfully represented the Soviet Union on the international level. For example, they were involved in creating a collection of clothing for fashion shows in countries such as Canada, France, the USA, Belgium, and Argentina.[92] There were cases when Ukraine and Ukrainian fashion were singled out separately, for instance at the World Exhibition in Montreal (Canada) in 1967.[93] The Soviet Union was represented by four fashion houses (Kyiv, All-Union, Leningrad, and Riga) and three socialist republics (Ukrainian, Russian, and Latvian). For the collection of fashion clothing of the Ukrainian SSR, 160 ensembles of women's and men's clothing were made. The collection was based on the use of folk clothing motifs from various regions and districts of Ukraine. Over the course of a month and a half, the Kiev Fashion House held 80 fashion shows, and a film was made about Ukraine and Ukrainian fashion.[94]

One finds evidence of great interest in the Ukrainian collection in the 383 instances of positive feedback in the guestbook from different countries, including the USA, Canada, England, France, Switzerland, and Argentina. There were also many articles in the foreign press, for example, in the newspapers *Montreal Star*, *La Presse*, and *Ottawa Citizen*.[95] In particular, attention was focused on the modernness of Ukrainian fashion. According to an article in the *Montreal Star* entitled "Kiev fashions 'play' to a crowded Expo house," "the colors might have been considered conservative by Western tastes, but most of the designs were up to any Paris or New York standards."[96] In an article entitled "La mode de Kiev: plus americaine que cosaque," correspondent Michele Boulva pointed out that "the typical Russian or Cossack fashion, which is so popular to meet,

92 UFHDA Avdeeva, interview, Kyiv, 2020; LMA Zalesskaya, E. Istoriya Lvovskogo Doma modeley odezhdy, 1980, p. 14.

93 TsDAVO Spravka o demonstratsii modeley odezhdy v Sovetskom pavilone na Vsemirnoy vystavke v gorode Monreale (Kanada) Kiyevskogo Doma modeley USSR v period s 25 iyulya po 5 sentyabrya 1967 goda, f.572, op. 4, d. 332, l. 1–78.

94 Ibid., l. 1–3.

95 Ibid., l. 9.

96 Ibid., l. 11.

has almost disappeared. According to the fashion show in the Russian pavilion, the American and European influence is felt in most of the items presented."[97] Thus, on the international level, Ukrainian fashion was identified by its use of folk traditions combined with modern forms and silhouettes.

Cooperation

When creating collections, fashion houses collaborated with other Ukrainian light industry enterprises. These enterprises included specialized fashion houses (footwear, knitwear) and related light industry enterprises. Such enterprises provided fabrics for creating fashion clothes, as well as additions to clothing ensembles (shoes, accessories).[98] In general, Ukrainian designers preferred to work with domestic fabrics and materials, so each fashion house collaborated with certain textile and related enterprises when creating their collections.[99] In particular, this was due to the orientation to the domestic market and well-developed Ukrainian light industry.

There was another option for cooperation which involved the development of technical documents and the implementation of fashion houses' designs into the mass production of clothing.[100] The technical documentation consisted of patterns and sewing technology for a certain product.[101] Annually, more than 70 percent of the entire industrial collection (technical documentation) was made in fashion houses in the republic.[102]

It should be emphasized that such documentation was not free of charge, but agreements were concluded and a fixed fee was set for the development of a certain product. Thus, this was one of the ways in which fashion houses earned compensation. It is noteworthy that Ukrainian fashion houses were not limited in their cooperative endeavors to sewing enterprises from their regions.[103] For example, as of 1970, the Odesa House of Fashion Design had provided technical

97 Ibid., l. 14.

98 Ibid., l. 4–7.

99 UFHDA Avdeeva, interview, Kyiv, 2020.

100 DAK Materialy (akty, otchety) po okazaniyu pomoshchi shveynym fabrikam Ukrainy za 1954 god, f. R–1219, op. 1, d. 62, l. 1–192; DAK Materialy okazaniya pomoshchi shveynym fabrikam i otchety po komandirovkam za 1957 god, f. R–1219, op. 1, d. 113, l. 1–27.

101 LMA Nikiforuk, interview, Lviv, 2015.

102 "Moda i vyrobnytstvo," 36.

103 UFHDA Mateyko, interview, Lviv, 2018; Nikiforuk, interview, Lviv, 2018.

documentation for 54 garment enterprises throughout the Ukrainian SSR.[104] In contrast, the system of regional consolidation for the provision of technical documentation was relevant for fashion houses in the Russian SSR.[105]

Furthermore, Ukrainian fashion houses were able to conclude contracts with sewing enterprises both throughout the territory of the Ukrainian SSR and in other republics of the Soviet Union, as well as with socialist countries.[106] However, this mainly applied to the Kyiv and Lviv fashion houses. Quite often, fashion designers and clothing makers and engineers from the production department visited sewing enterprises to provide practical assistance in the manufacture of certain items of clothing.[107]

It should be noted that the vast majority of garment and knitting enterprises in the Ukrainian SSR had their own experimental shops, laboratories, and sections which were also engaged in the development and creation of new items and styles of clothing.[108] For instance, the state audit of 1962 showed that the Vorovsky Sewing Association in Odessa had its own experimental workshop where 52 people were employed, including 13 designers and clothing makers. At this time, Kharkiv had experimental sewing laboratories in 14 out of 15 sewing enterprises, where 53 fashion designers and clothing makers were employed.[109] The situation was similar in Dnipropetrovsk, Donetsk, Kyiv, Lviv, and other Ukrainian cities.

In addition, some factories were able to cooperate directly (legally or illegally) with foreign enterprises. According to archival materials, the Lviv garment factory Mayak tried to cooperate with the United States in 1963 (Maidenform, Phoenix Clothes firms).[110] Based on oral history materials, the Tinyakov Kharkiv garment factory sewed clothes for France, and the Lviv shoe company Progress sold shoes for the GDR in the 1980s.[111] As Kharkiv resident Mikhail Stanchev recalls, "[o]nce I went to Lille in France. We were in a sewing shop, where we were

104 Oleksiienko, "Navit u liutomu," 31.

105 Gronow and Zhuravlev, *Moda po planu*, 482.

106 TsDAVO Perepiska s Gosplanom USSR i drugimi respublikanskimi organizatsiyami po voprosam legkoy promyshlennosti, 19 iyulya – 15 dekabrya 1962, f. R–2, op. 10, d. 959, l. 50.

107 Fedosieieva, "Donetskyi budynok modelei," 32; UFHDA Mateyko, interview, Lviv, 2018; Nesmiyan, interview, Kyiv, 2018.

108 TsDAVO Perepiska s Gosplanom USSR i drugimi respublikanskimi organizatsiyami po voprosam legkoy promyshlennosti, 19 iyulya – 15 dekabrya 1962, f. R–2, op. 10, d. 959, l. 46.

109 Ibid., l. 47.

110 DALO Perepiska direkcii firmy 'Mayak' s inostrannymi firmami za 1963 god, f. R–2002, op. 1, d. 55, l. 4–5.

111 UFHDA Stanchev, interview, Kharkiv, 2014; Tokar, interview, Lviv, 2018.

Figure 7. Focus on the number of items of clothing produced.
The leaders of the Communist labor of the Vorovsky Odessa Sewing Association, who exceeded the norm in terms of the number of items of clothing, 1962
(TsDKFFA od. obliku 2–75686)

encouraged to buy a suit according to French fashion. However, I then heard someone say, 'Do not rush to buy, it is all made in Kharkiv on Tinyakovka.'"[112]

Though garment factories generally used the materials produced by the fashion houses, clothing samples could often differ from the originals. This was particularly influenced by the availability of the necessary fabric, accessories, and equipment and the production capacity at a given factory, as well as the amount of time allocated for the manufacture of a certain item of clothing.[113] It should be noted that there was a disparity in the development of heavy and light industries in the Soviet Union. Hence, light industry suffered from insufficient capacity and technical backwardness of the technological base. In addition, not all garment factories were able to sew clothing prototypes in the version prescribed in the technical documentation due to a lack of necessary materials.

As a result, a given sample was adapted to the production conditions at the factory and to the available fabrics and accessories. In addition, there was a stronger focus on quantitative indicators than on qualitative ones in the planned Soviet economy. (Fig. 7.) The caricature on this topic from the Ukrainian satirical

112 UFHDA Stanchev, interview, Kharkiv, 2014.
113 Bitekhtin, "Trudnosti shveynogo."

magazine *Perets'* (Pepper) is telling. (Fig. 8.) In this depiction, an item of clothing introduced in a fashion house and the same item of clothing in a garment factory differ greatly.[114]

It should also be noted that the consumption of raw materials and fabrics at light industry enterprises was subjected to control. In particular, there was a Laboratory for Rationing Raw Materials and Fabrics with authority within the republic located on the territory of the Kyiv House of Fashion Design. It was entrusted with the task of analyzing the consumption of materials in garment factories. Laboratory specialists (an engineer and a fabric distributor) visited textile factories and checked the consumption of fabric for garments

Figure 8. A caricature from the satirical magazine *Perets'* (cover) showing the contrast between an item of clothing as presented by a fashion house and the same item of clothing in use after production in a garment factory, 1965

114 *Perets'*, 1.

produced by enterprises. If the amount of fabric consumed exceeded the norm, the specialists offered their own cutting system, which was more economical. Thus, the overall savings that the factory could achieve were revealed.[115] In turn, the factory was obliged to comply with the laboratory's recommendations.

Conclusion

Fashion in the USSR underwent a gradual transformation from something which was perceived as negative by the Soviet authorities to something which was perceived as positive and having a role in the evolution of a socialist society, though this process was admittedly complex. Soviet fashion was opposed to Western "bourgeois" fashion and had a clear ideological tone. Through the development and creation of "socialist" fashions, the Soviet authorities sought to show the advantages of the USSR over the capitalist countries not only in heavy but also in light industry.

As of the second half of the 1940s, the active development of light industry in the Soviet Union and the Ukrainian SSR in particular was a characteristic feature. Several state institutions were created for the development of the fashion industry and its promotion in Soviet society (fashion houses, research and control organizations). Fashion houses were given a crucial role. They were the main fashion corporations responsible for Soviet fashion's image both within the country and abroad. Methodological meetings, fashion shows and contests, creative business trips, and employee exchanges were regularly held at the all-union, republic, and local levels.

The Ukrainian SSR developed an extensive system of clothing design, which included the Ukrainian Institute of Light Industry and Clothing Culture and six general orientation and five specialized fashion houses. This fact indicates that the Ukrainian SSR was one of the main centers of clothing design in the Soviet Union. Along with the development of technical documentation and new clothing samples for introduction into mass production, the fashion houses produced exhibition samples that were part of the seasonal collections for public display within the Soviet Union and at international fashion shows and clothing exhibitions.

Art councils played a crucial role in shaping the fashion trends and developing Soviet fashion in general. They included representatives of the Ministry of

115 UFHDA Uvarkina, interview, Kyiv, 2017.

Trade, the Ministry of Light Industry, the State Planning Committee, research institutions, fashion houses, and big garment factories. All clothing samples had to be checked given approval by the art council before they were released and before images of them were published in magazines. This indicates the significant influence of the art councils on the development of fashion in the country, as well as the bureaucratization of the process and strict censorship of this direction.

Fashion houses served as clothing design centers and at the same time acted as fashion promoters for the Soviet citizenry. They regularly presented new fashion designs and developed permanent collections of new items of clothing, which were displayed in their exhibition halls. They also organized group trips to factories, plants, and institutes, where they showed their new fashion collections and made reports on how to dress tastefully.

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The Czechoslovak Capital of West Germany: The Story of Peute Reederei

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There are numerous interesting topics pertaining to the economy of socialist Czechoslovakia that have not received sufficient attention in the secondary literature. One of these topics is the question of the capital penetration of socialist enterprises into Western (capitalist) Europe. In this essay, we examine the circumstances of the establishment and subsequent activities of the Peute Reederei company, which had both Czechoslovak and West German capital participation, based on a company archive which, however, has survived only in fragments. The company was established under West German law and had its headquarters in West Germany. Data on Peute Reederei were drawn from available unpublished and published archival materials, period and professional literature, and journalism, but we would above all like to express our gratitude to the private family archive of Mr. Rudolf Hurt (Hurt Archive), which provided the authors with archival materials concerning the Hamburg branch of the Czechoslovak Elbe-Oder Shipping Company.

Keywords: state enterprise, Peute Reederei, Czechoslovakia, Germany, Hamburg

Introduction

There are numerous interesting topics pertaining to the economy of socialist Czechoslovakia that have not received sufficient attention in the secondary literature. One of these topics is the question of the capital penetration of socialist enterprises into Western (capitalist) Europe. This topic reminds us that during the Cold War, capital flowed across the Iron Curtain in both directions. The steamship company Peute Reederei offers a very revealing example which shows the limits of capital expansion from the eastern side of the Iron Curtain into capitalist foreign countries, as well it's the motives which lay behind the expansion of capital from the east and the expectations associated with it.

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In this essay, we examine the circumstances of the establishment and subsequent activities of the Peute Reederei company, which had both Czechoslovak and West German capital participation, based on a company archive which, however, has survived only in fragments. The company was established under West German law and had its headquarters in West Germany.

Data on Peute Reederei were drawn from available unpublished and published archival materials, period and professional literature, and journalism, but we would above all like to express our gratitude to the private family archive of Mr. Rudolf Hurt (Hurt Archive), which provided us, the authors, with archival materials concerning the Hamburg branch of the Czechoslovak Elbe-Oder Shipping Company (hereinafter referred to as ČSPLO) and especially concerning the activities of Peute Reederei.[1] The surviving reports of the meetings of the Board of Directors of Peute Reederei and documents of an accounting nature give us an opportunity to look into the activities of the company and discern the limitations within which the company operated. The limiting factor is the fragmented nature of the materials.

We would like to highlight the distinctive if not unique nature, in the Cold War context, of this joint venture between a state enterprise and a legal entity /natural person from a capitalist foreign country. The endeavor itself can be understood as a part of a search for ways to overcome the limits of a centrally planned economy (lack of foreign capital, export difficulties, growing economic problems, inability to compete, etc.).

This created a form of cooperation between two entities from different economic worlds. We refer to this a form of cooperation as a *joint venture*. It involved a state-owned enterprise functioning within a centrally planned economy which nonetheless operated on the capitalist market through shareholding in a legal entity established under foreign law (the law of the capitalist state), and thus this enterprise had to survive in a market environment. The penetration of Western companies into socialist Czechoslovakia was more common (e.g. an agreement with Intercontinental to build a modern hotel in Prague).[2] Peute Reederei is, in contrast, an example of the socialist state's capital penetration into Western Europe, and it thus represents a distinctive, albeit minor, chapter in the history of the state's participation in trade, in this case through a state-owned river shipping company.

1 The authors would like to thank the family of Mr. Rudolf Hurt, namely Mrs. Ing. Daniela Nebeská and Mr. Ing. Jan Nebeský.

2 Reichel, "Hotel Inter Continental Praha," 87.

The literature on the issue of joint-stock enterprises between East and West is not extensive, and, in tends to focus on legislation.[3] Several works are available on the economic relations between Czechoslovakia and Germany,[4] but the topic of river navigation has so far been neglected. The materials on Peute Reederei are very fragmented, and they have not yet been organized or examined in detail by historians, and references to the company in the secondary literature are similarly scattered.[5]

State Transport Business

The economies of the states of the socialist bloc were based on the premise of the state as the owner of the means of production. This situation was achieved through the process of nationalization, which took place in Czechoslovakia in the second half of the 1940s. The area of transport was affected by nationalization in 1948.

Before this, the state was already an entrepreneur in the field of rail and partly also road transport through the company Czechoslovak State Railways, directly owned and managed by the Ministry of Transport.[6]

The state held a stake in the field of water and air transport through its share in what were virtually monopoly joint-stock companies. Before 1948, shipping companies had the legal form of joint-stock companies with significant state shareholding. With the creation by the communist state of a new centrally planned economy, however, this form of enterprise was not acceptable going forward.

The state could not be a mere shareholder, because a state enterprise (in contemporary Czechoslovak legal terminology, a national enterprise) has its own specific features. It is primarily established not for profit, like a standard corporation, but to address a public need and perform a public service.[7]

The nationalization of Czechoslovak shipping companies took place pursuant to Act No. 311/1948 Coll., on National Transport Enterprises. The law created a

3 Campbell, *East-West Joint Venture Contracts;* Kansikas, *Socialist Countries Face the European Community;* Mastanduno, *Economic Containment*.

4 Johnson and Fabianková, "Czechoslovakia and West Germany"; Fabianková and Johnson, "Hospodářská (ne)kooperace"; Fabianková and Johnson, "Wirtschaftsbeziehungen"; Szobi, "Licenční smlouvy".

5 Švarc, *Sedmdesát pět let*, 132–34; Jakubec, *Československo-německé dopravněpolitické vztahy*, 137–38; Jakubec, "Die ersten Jahre."

6 Štemberk, *Podnikání v automobilové dopravě*, 46–50.

7 Vilímek, "Kdo řídí – kontroluje!"

legal basis for the nationalization of transport (shipping) companies. According to this act, the following companies were nationalized and national companies were established: the Czechoslovak Elbe Shipping, a national company based in Prague; Czechoslovak Navigation of the Oder, a national enterprise based in Ostrava; and Czechoslovak Navigation of the Danube, a national enterprise based in Bratislava. Later, the Elbe and Oder maritime transport companies were merged into the Czechoslovak Elbe-Oder shipping company (ČSPLO). From the perspective of our inquiry, it is important to mention that in the then Federal Republic of Germany (GDR) there was no change in the entry in the Commercial Register, and the company continued to be logged under the interwar name Československá plavba labská, a. s. (Čechoslowakische Elbe-Schiffahrts-Aktiengesellschaft). Changing the name of the company would invalidate pre-war contracts and concessions. Whether this was an omission or a deliberate step remains unanswered. The most likely explanation is that a new-old company with a different name would have to register as a completely new enterprise and prove that it was a successor company. The legal form of a national company, which was unknown in West Germany, could also be a problem. This proved to be an important detail with regards to the further operation of the national company ČSPLO in West Germany.[8]

State (national) enterprises, directly managed by individual line ministries, became a pillar of the Czechoslovak economy. However, there was still space for other legal forms of business in contact with foreign countries. Act No. 243/1949 Coll., on Joint-Stock Companies, enabled the establishment of new joint-stock companies (especially in foreign trade).

The establishment of a joint-stock company required a state permit and approval of the articles of association, which were the responsibility of the minister competent according to the scope of business. It was also legally possible to involve national companies or joint-stock companies in doing business abroad, i.e. to become partners of a foreign legal entity.

The development of international trade relations in the first half of the 1960s required the issuance of Act No. 101/1963 Coll. on Legal Relations in International Trade (International Trade Code). The easing of international tensions in the 1970s was also reflected in economic relations with foreign countries. The adoption of Act No. 42/1980 Coll. on Economic Relations with

8 Jakubec, *Československo-německé dopravněpolitické vztahy*, 107–28.

Foreign Countries attests to this. Pursuant to this Act, a permit for foreign trade activities was granted by the Federal Ministry of Trade.

The realities of the business of socialist enterprises behind the Iron Curtain were not without complications. In the early 1950s, the issue of legal personality was even addressed in some Western states when courts denied state-owned enterprises "a legal personality different from the Czechoslovak state"[9] and thus considered all the activities of these companies to be direct activities of the home countries. Although this issue was resolved by allowing the state-owned enterprises to function as separate legal entities, the resentment arising from their activities, although not a mass issue, was obvious. This was also reflected in possible litigation when the courts in Western countries did not act completely impartially. This led to great interest in the Soviet bloc states in resolving disputes that had an international element instead of seeking arbitration.[10] In the West, there were serious concerns that the economic framework could be used for political and other (especially intelligence) purposes. Therefore, more space was given only in connection with the relaxation policy, which was promoted in the 1970s. The space for business in West Germany also became more accessible after the establishment of diplomatic relations and the signing of the so-called Treaty of Prague (a treaty on mutual relations between the Czechoslovak Socialist Republic and the Federal Republic of Germany) in 1973.[11]

Based on the Treaty of Versailles (Articles 339, 363 and 364), Czechoslovakia had leased a port area in Hamburg for 99 years from 1929 which provided space for its own maritime navigation. During the Cold War, the closed zone, to which the German authorities did not have access, was even more important. Czechoslovakia also benefited from the Elbe navigation acts, which gave the Elbe the status of an international river and allowed free navigation. ČSPLO thus had a specific position and often transported sensitive goods.[12]

9 Národní archiv Praha, fund Rozhodčí soud Československé obchodní komory, box No. 1, Záznam o schůzi Rozhodčího soudu, dne 5. 6. 1951, 3.

10 More explicit: Štemberk, "Rozhodčí soud," 304–5.

11 More detail: Břach, *Smlouva o vzájemných vztazích mezi ČSSR a SRN*.

12 Kubů and Jakubec, "Hamburk a jeho úloha," 146.

The Establishment of the Company

For ČSPLO, navigation on the Elbe was open, but problems arose if the ships were bound for one of the western European inland ports, to which they did not have regular access. The use of the company's own ships reduced the transport costs that still had to be paid in foreign exchange, which was very advantageous for Czechoslovak exports. The solution to this complicated problem was achieved to some extent due to the happy interplay of circumstances and was not planned or conceptually prepared in advance. The solution can to some extent be described as original, as it involved the establishment of a West German trading company based in Hamburg.

Although it was not a conceptually planned undertaking, it proved possible to establish a commercial enterprise with the capital participation of the Czechoslovak state company, though only after lengthy negotiations, which began in the mid-1970s. The success of the venture was certainly due in part to the personal commitment of Rudolf Hurt, who was the director of the Hamburg branch of the ČSPLO at the time.

The establishment of Peute Reederei is connected with the unfulfilled obligations of the West German company Peer Offen, which ordered five 11,600 type motor cargo ships from the Czechoslovak foreign trade company Martimex Martin. After the deal fell through, it was decided at the end of January 1978 that the Hamburg branch of the ČSPLO would take over the five ships from Martimex as compensation for the outstanding loan.[13] The protocol on the experiences of Peute Reederei over the course of two months, dated August 20, 1978, states the following:

> The opportunity to set up such a company was more or less a coincidence arising from one failed business transaction (between Martimex and the West German ship owner - [Peer] Offen). Offen bought five motor cargo ships from the Czechoslovak Socialist Republic on credit, and it was unable to pay off the loan within the relevant deadlines. There was a threat of bankruptcy and thus the loss of not only valuable foreign currency (such as the value of the ships) but also vessels. Therefore, with the understanding and support of superior authorities (PŘ, FMD, SBČS, etc., and the Czechoslovak embassy in the GDR), the ships were practically returned to our export company and then officially

13 A Hurt, Kronika, pp. 247, 276.

became the property of the joint company Peute - Reederei G.m.b.h. (debt transfer).[14]

On the part of the ČSPLO management, the Hamburg branch was commissioned to establish a shipping company with the abovementioned ships and the company would use these vessels for transport in Western Europe. After lengthy negotiations with the local authorities, who approached the establishment of a company in which Czechoslovak state capital would participate with deep reservations, the project was brought to life. According to the Chronicle of the ČSPLO branch in Hamburg: "In May 1978, this company began its activities. The acquired ships had to be repaired, crewed, and put into effective operation."[15]

The negotiations were finalized, and on March 13, 1978, a Czechoslovak–West German limited liability company was established under the company Albis Reederei, GmbH Hamburg. However, the choice of trade name was not suitable, as it turned out that another company already had the same name, in whose favor the Chamber of Commerce in Hamburg intervened. Therefore, it was necessary to change the name, and on April 25, 1978, a new company was entered in the Commercial Register: Peute Reederei, GmbH Hamburg.[16]

According to paragraph five of the company's partnership agreement, the share capital was only DM 20,000, of which ČSPLO held DM 18,000 and Hermann Paul Willers DM 2,000 (i.e., a ratio of 9:1). Several more complications arose in the discussions concerning the registration of Albis (Peute) in the Commercial Register. The original idea was that the ČSPLO branch in Hamburg was to become a partner.[17] However, the branch did not have a legal personality—only the Prague headquarters had it—so it could not become a partner. It turned out that the management of ČSPLO was not very familiar with the relevant German law. In its defense, it could be pointed out, however, that Czechoslovak law did not recognize this Limited Liability Company at all from the late 1940s, and the question of the legal personality of companies was based directly on the law. However, this was not the case in West Germany. The only solution to the situation was the change of the partnership agreement made on April 14, 1978,

14 A Hurt, Smíšená společnost ČSSR – NSR Peute – Reederei G.m.b.H. Hamburg – zkušenosti po dvouměsíčním provozu, 20. 8. 1978, p. 1.

15 A Hurt, Kronika, p. 252.

16 Švarc, *Sedmdesát pět let*, 137–38.

17 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare, T 46-Dr.Th./Ma., addressed to R. Hurt, 6. 4. 1978 and Amtsgericht Hamburg, Th 685/1978 bö, 66 AR 791/78 -A-.

when ČSPLO became a partner directly.[18] In the Commercial Register, however, it is Československá plavba labská, a. s. that is listed as a partner, and not the ČSPLO national enterprise. It was here that the undeniable advantage of the company remaining registered in the German Commercial Register in the form of a joint-stock company became apparent. At first glance, it was not immediately obvious that such a close connection with the Czechoslovak socialist state could be developed.[19] The partnership agreement was made in nine copies.[20]

The ships were secured by a purchase agreement concluded between the Czechoslovak foreign trade company Martimex and Albis (Peute) Reederei GmbH, Hamburg on March 15, 1978. The total purchase price was DM 2,500,000. The contract states that the Offen 13 purchase price was DM 440,000, the Offen 14 price was DM 510,000, the price of the Offen 15 and 16 was also DM 510,000, and the price of the Offen 17 was 530,000 DM. Rudolf Pavlovič signed the contract on behalf of Martimex and Rudolf Hurt signed it on behalf of Albis (Peute) Reederei.[21] The surviving sources do not make clear how the purchase price was paid. The share capital was insufficient, and no document has survived offering any indication of a loan from a West German bank. Furthermore, there is no reason to assume that a loan was made to cover costs of the company's establishment or its registered capital. It is thus likely that the purchase price was repaid gradually.

Rudolf Hurt, director of the Hamburg branch of ČSPLO, František Klimeš, head of the maritime transshipment yard No. 23, and partner Hermann Paul Willers, owner of the Haase und Volkertsen Stauerei Hamburg company, made significant contributions to the founding of Peute Reederei.[22] Rudolf Hurt became the executive director *(Geschäftsführer)* of Peute Reederei.

Under the management contract of July 5, 1978, the managing director was entitled to DM 1,400 per month and 30 days' leave per year. The duties of the managing director were set out only in brief. At the same time, the contract

18 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare, beglaubigte Abschrift, T 1000/1978 scho, Ausfertigung, April 14, 1978.

19 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare, Abschrift, T 1130/1978 bö, April 25, 1978.

20 A Hurt, Urkundenrolle Nr. T 685/1978 bö.

21 A Hurt, Zwischen der Firma Martimex Aussenhandels AG., Martin/ČSSR im folgenden Verkäufer genannt und der Firma Albis Reederei GmbH in Gründung, Hamburg im folgenden Käufer genannt wird heute folgender Kaufvertrag abgeschlossen, 15. 3. 1978.

22 A Hurt, Kronika, p. 277.

recognized that the executive was fully employed by ČSPLO. The contract was effective from July 1, 1978 and was valid for three years.[23]

The manager of a Czechoslovak state enterprise was thus entrusted with representing the interests of the state in a foreign legal entity in which the state had capital participation. It is hardly shocking that Rudolf Hurt was in the sights of the State Security and was on the list of their collaborators.[24] Thus, he was a person who had been vetted by the regime and had been deemed loyal and enjoyed its trust. It is obvious that the Czechoslovak state wanted to ensure the supervision of Peute Reederei in this way. The actual business management was in the hands of agents. Two of these agents were Ing. František Větrovec, who was appointed to serve as Chief Accountant of ČSPLO Hamburg, and Hermann Delfs, who worked in the branch's sales and transport department.[25] As the authorized representative of the Peute Reederei company, Větrovec was entitled to a remuneration of DM 700 per month.[26] The sources make no mention of the remuneration provided to the second representative. Willers and Delfs were citizens of the Federal Republic, the others had Czechoslovak citizenship. The willingness of West Germans to cooperate was probably motivated by the prospect of financial gain and not political convictions. Somewhat surprising is the fact that the management of the company took place in Czech, as evidenced by the surviving records. The motive for this is not known, as it is clear that everyone spoke German. The records may have been kept in Czech because of pressure from the State Security agency.

The close connection between Peute Reederei and ČSPLO became manifest in further cooperation. On June 1, 1978, an agreement on technical assistance and cooperation was signed between Peute Reederei and the ČSPLO Děčín branch. Its subject was help provided by specialists in ship engines from Škoda Plzeň, namely five chief engineers and five assistant engineers.

Peute Reederei paid DM 3,000 per month for each engineer and DM 2,700 per month for each boatman. Every six months, there was a change of engineers

23 A Hurt, Anstellungsvertrag zwischen der Firma Peute Reederei, GmbH, Hamburg vertreten durch ihren Beirat (im folgenden Firma genannt) und Herrn Rudolf Hurt, Peuterestrasse 25, 2000 Hamburg 28.

24 Archiv bezpečnostních složek, Jmenné evidence, accessed March 26, 2021, https://www.abscr.cz/jmenne-evidence/.

25 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare an Amtsgericht Hamburg, Ausfertigung, March 13, 1978, Kronika, p. 277.

26 A Hurt, Anstellungsvertrag zwischen der Firma Peute Reederei, GmbH, Hamburg vertreten durch ihren Geschäftsführer (im folgenden Firma genannt) und Herrn Dipl. Ing František Větrovec, Peutestrasse 25, 2000 Hamburg 28 wird heute folgendes vereinbart, July 5, 1978.

and boatmen.[27] The new version of the technical assistance and cooperation agreement of January 1, 1979 increased the number of experienced engineers to ten. Another contract concluded on June 25, 1978 concerned the administrative and technical cooperation and assistance between the ČSPLO Hamburg branch and Peute Reederei. Coming into effect on July 1, 1978, the Hamburg branch of ČSPLO undertook to provide the use of a telephone, telex, and office for a fee of DM 380 per month.[28] Contracts for ČSPLO brought a welcome resource of foreign currency, of which there was a shortfall in the Czechoslovak economy.

Of course, Peute Reederei GmbH did not avoid cooperation with West German companies, and, somewhat surprisingly, it also did not avoid further acquisition of assets in West Germany. The arrangement between Peute Reederei GmbH and the Fluss-Schiffahrts-Kontor GmbH Duisburg (River Shipping Office) of March 28, 1978 was interesting, and it was followed by a more comprehensive agreement on July 4, 1978 concerning the mutual acquisition of shares between the two companies. Peute-Reederei acquired a business share of DM 500 in Fluss-Schiffahrts-Kontor, previously owned by Plath & Co.[29] Furthermore, the agreement laid down the rules for the equal treatment of Peute Reederei' ships by the Fluss-Schiffahrts-Kontor. The capital entry of Fluss-Schiffahrts-Kontor into Peute Reederei took place with a transfer by ČSPLO as a shareholder of a share of DM 1,000 (5 percent) to the Fluss-Schiffahrts-Kontor, coming into effect on July 4, 1978.[30] In both cases, it was a relatively small share, and the transfer did not give Fluss-Schiffahrts-Kontor much power to influence the management of the other company. At the same time, Fluss-Schiffahrts-Kontor provided know-how advantageous for activities in Germany, kept accounts in accordance with West German regulations (for DM 2,000 per month[31]), and took over the representation within its own organization in Germany.[32] The Fluss-Schiffahrts-Kontor was described by the

27 A Hurt, Vertrag über technische Hilfe und Zusammenarbeit, die zwischen den Firmen Peute Reederei GmbH, Hamburg a ČSPLO Děčín (ČSSR) anlässlich der am 23. 3. 1978 in Děčín (ČSSR) geführten Verhandlungen zwischen beiden Seiten vereinbart wurde, June 1, 1978.

28 A Hurt, Vertrag über administrative und technische Zusammenarbeit zwischen den Firmen Tschechoslowakische Elbe-Schiffahrts, A. G., Hamburg und der Peute Reederei, GmbH, Hamburg.

29 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare, Abschrift, T 844/1978 sch, March 31, 1978.

30 A Hurt, Dr. Jürgen Theissen Dr. Jochen Bach Notare, beglaubigte Abschrift, T 2228/1978 scho, August 14, 1978.

31 Gradually, Fluss-Schiffahrts-Kontor's accounting fee for Peute Reederei was reduced from DM 24,000 per year to DM 15,000.

32 A Hurt, Vereinbarung, July 4, 1978.

ČSPLO Chronicle as a medium-sized company engaged in river navigation and brokerage (charter) activities.

Fluss-Schiffahrts-Kontor also had contacts in other Western European countries. The interests of the Fluss-Schiffahrts-Kontor in the Netherlands were secured by IMOG Rotterdam Schlepvaart BV.[33] Fluss-Schiffahrts-Kontor was founded in 1953 in Hamburg. In the following years, it built branches in Berlin, Duisburg, Basel, Antwerp, Rotterdam, and Lübeck.

In 1960, its headquarters was transferred to Duisburg, which was a prerequisite for membership in the Rhein-Reeder-Verband. It is clear that Fluss-Schiffahrts-Kontor's access to the Rhine was the main reason for Peute Reederei's interest in the company, which sought to penetrate the Rhine. In the material summarizing the two-month operation of Peute Reederei from August 20, 1978, it was factually stated that by founding a joint company, Czechoslovakia, after more than twenty years, managed to get access to Western European waterways, albeit under the flag of West Germany.[34] The Fluss-Schiffahrts-Kontor company was authorized for the "exploitation of ships" (the technical term for the use of a fleet) by Peute Reederei. The ships had West German captains, provided by the Fluss-Schiffahrts-Kontor, and the two members of the ship's crew were the shipmaster and the engineer, rotating every six months. Persons were appointed to the position of shipmaster in order to prepare for the tests for piloting ships on the Rhine and other West German waterways. As stated in the Chronicle of the ČSPLO branch in Hamburg: "1978 was a trial year for Peute Reederei. Based on the results achieved, it can be said that this new company met expectations."[35]

The ČSPLO Chronicle aptly summarized the importance of the Peute Reederei for the Czechoslovak economy:

> An important prerequisite for the promotion of Czechoslovak interests was the establishment of a joint river navigation company ČSPLO / NSR based in the GDR, which we know today as Peute Reederei. The main goal of the joint shipping company ČSPLO / NSR was to create further favorable conditions for the transport of goods of the Czechoslovak foreign trade by water transport to Western Europe, where ČSPLO vessels cannot and will probably not be able to ship even after the conclusion of the "Navigation Agreement" between

33 A Hurt, Kronika, p. 278; further to cp.: https://www.binnenschifferforum.de/showthread.php?43936-IMOG-Rotterdam [cit. September 12, 2020].

34 A Hurt, Smíšená společnost ČSSR – NSR Peute – Reederei G.m.b.H. Hamburg – zkušenosti po dvouměsíčním provozu, 20. srpna 1978, p. 1.

35 A Hurt, Kronika, p. 253.

> the Czechoslovak Socialist Republic and Germany. [author's note: the anticipated agreement between Germany and Czech.[36]

Due to the economic situation in Germany at the end of the 1970s, in particular with respect to inflation, wage increases, and higher taxation, the Hamburg branch intensively sought business activity. As noted in the ČSPLO Chronicle, "based on this fact, the main source of income remains the maritime transshipment yard No. 23 and today also the Peute Reederei."[37]

On the one hand, Peute Reederei was to bring important foreign exchange gains to the Czechoslovak economy from its business activities and help save foreign exchange costs on the transport of Czechoslovak goods on Western European rivers, which Czechoslovak ships could not reach. Cooperation with the states of the socialist bloc was also planned to facilitate, through Peute Reederei, the transport of goods from other socialist countries to Western Europe. Thus, relevance of Peute Reederei went beyond the Czechoslovak economy.

The following aims played an important role in the establishment and other activities of the company:

1. The possibility of ensuring the shipping of Czechoslovak goods on all routes to Western Europe;
2. If necessary, this share could be reduced through Peute Reederei when allocating goods in mutual transports of the Czechoslovak Socialist Republic – Germany;
3. The possibility of further developing socialist integration with the use of rivers in the German Democratic Republic and the Polish People's Republic as avenues of trade;
4. If necessary, Peute Reederei was to be able, in cooperation with a partner shipping company, to aid the Czechoslovak company Čechofracht[38] in influencing prices or securing other favorable conditions vis-à-vis foreign shipping companies;
5. The possibility of direct transport of heavy and bulky goods from Czechoslovakia to Western Europe;

36 Ibid., pp. 275–76. The anticipated agreement between Germany and Czechoslovakia was not concluded until 1988.

37 Ibid., p. 275.

38 The Čechofracht company was established on January 1, 1952, and the scope of its activities was the organization of international sea transport. Hamburg with the Czechoslovak maritime zone became the home port. In 1958, the scope of business was expanded to include international delivery.

6. The possibility of carrying out acquisition activities and the possibility of participating in transit traffic;
7. Enabling the gradual training of ship crews capable of independent operation on Western European rivers.[39]

Operational and Organizational Development

According to the minutes from the first meeting of the Peute Reederei GmbH Administrative Board (the term is used in the report, although it is not common for a limited liability company) on December 8, 1978, i.e. after nine months of activity, Karel Adamovský was elected Deputy General Manager director of ČSPLO n.p. Děčín.[40] As expected, the most comprehensive point of the meeting concerned the possibility of using Peute Reederei and Fluss-Schiffahrts-Kontor to shop Czechoslovak goods. The Administrative Board decided to focus primarily on the transport of Czechoslovak goods from Hamburg and Braunschweig further west to some ports, such as Bremen, Rotterdam, Antwerp, and other places in Germany. "It was stated that the vessels of Peute Reederei GmbH are put to good use, and the turnover is good." At the same time, some "flaws" appeared. According to the protocol of the first meeting of the Board of Directors of Peute Reederei GmbH in Hamburg on December 8, 1978, "Crew supervision needs to be strengthened so that crew members do not work excess hours […]"[41]

According to the minutes from the second meeting of the Administrative Board on June 11, 1979, Peute Reederei reported the transport of a total of 112,545 tons of goods. The cooperation with the Fluss-Schiffahrts-Kontor was basically assessed as good:

> Some of the difficulties encountered by both parties were caused by inexperience and are a common occurrence in completely new and unknown situations, which could not have been taken into account when establishing a company of this nature. It is mainly a problem with issuing visas for the Czechoslovak crew and work permits in the GDR, as well as crew rotation, handling accidents with an insurance

39 A Hurt, Kronika, p. 276.

40 A Hurt, Záznam z I. zasedání správní rady firmy Peute Reederei GmbH v Hamburgu December 8, 1978.

41 Ibid.

> company, problems with Berufgenossenschaften [author's note: statutory accident insurance], the tax office, etc.[42]

The difficulties also involved the transfer of bookkeeping to Peute Reederei, which was to take place no later than January 1, 1980, and the involvement of Peute and Fluss-Schiffahrts-Kontor in the transport of Czechoslovak goods via Braunschweig.

Minutes from the third Administrative Board meeting of November 29, 1979 note that the operating and economic results were affected by adverse weather conditions (frosts, restrictions on navigation in January to March) and the decommissioning of the Peute 5. Heinz Alfred Drogand (the director of Fluss-Schiffahrts-Kontor) made an interesting point when he noted that Peute Reederei was seen at the time as part of the West German Fluss-Schiffahrts-Kontor, which, given the political consequences, was undoubtedly beneficial for the company.

The Schifferbörse Duisburg Annual Report 1978/79 carried a warning in the Transport Policy section in connection with the amendment of the Mannheim Navigation Act. According to this warning, "care must be taken to ensure that foreign companies do not abuse business freedoms in Western Europe in the future."[43]

This could, of course, have had negative consequences for Peute Reederei and the whole concept of its activities. At the meeting, it was explicitly stated that "according to these documents, we can expect an effort to limit and ban the activities of those joint and foreign companies that will not fully comply with the standards stipulated by law. If such a situation arises, it will be necessary to change the ratio of existing shares in P. R. [Peute Reederei] so as to comply with the law (51 percent–46 percent)."[44] These were shares in companies related to the revision of the Mannheim Navigation Acts.

The Additional Protocol No. 3 of October 17, 1979 amended Article 2, paragraph 3 of the Revised Rhine Navigation Acts (Mannheim Navigation Acts). Ships navigating on the Rhine had to have a document indicating that the ship belonged to the Rhine navigation system and was entered in the public register of a member state. The reason for refusing to issue a document to a ship may have been that the persons with majority participation in the operating

42 A Hurt, Záznam z II. zasedání správní rady firmy Peute-Reederei GmbH v Hamburgu June 11, 1979.
43 A Hurt, Záznam z III. zasedání správní rady firmy Peute-Reederei GmbH v Hamburgu November 29, 1978, p. 2.
44 Ibid.

results, directly or indirectly, or holding a majority of the shares or voting rights were not citizens of a contracting state or were not domiciled or did not have permanent or long term residence in a contracting state. For this reason, the shares in Peute Reederei had to be changed so as to maintain its access to the Rhine waterway. The changes had to be made quickly. They were implemented within a few months.

As noted above, a third member joined the two founding members of the March 1978 company three months later. The share capital was not greatly affected by the adjustments made and remained at a very low DM 20,000. The reduction in ČSPLO's share was due to external influences so that the purpose for which Peute Reederei was created could still be fulfilled.

Clearly, the changes were also comprehensible to the West German partners. ČSPLO's business share was the largest even after the changes (49 percent), but ČSPLO was no longer and could not be the majority shareholder. The Fluss-Schiffahrts-Kontor's shareholding remained in the minority at 5 percent, but Hermann Paul Willers' stake rose to 46 percent. This gave the West German capital the majority (51 percent). The Czechoslovak–West German company became a West German–Czechoslovak company.[45]

The importance of Peute Reederei is also indirectly indicated by the "expansion" of ČSPLO in the following decades, as in the 1980s, ČSPLO was preparing to start cargo shipping on the Rhine. It concluded agent agreements on the representation of vessels and commercial shipping interests in Bremen (Karl Gross company), Duisburg (Fluss-Schiffahrts-Kontor), and Rotterdam (IMOG).[46] The staffing of Peute Reederei was minimal. Initially, the company had 18 employees, including one executive, two agents, five Czechoslovak engineers, five Czechoslovak boatmen, and five West German captains. The active radius of transport provided in Western Europe was defined by Germany, Belgium, the Netherlands, France, and Switzerland.[47] Czechoslovak employees did not receive any special remuneration for the management of Peute Reederei.

45 Authors' calculations based on: A Hurt, Ausfertigung. Verhandelt in dieser Freien und Hansestadt Hamburg am 13. März 1978; Vereinbarung, 4. 7. 1978; Ausfertigung. Verhandelt in dieser Freien und Hansestadt Hamburg am 16. Juni 1980.

46 Archiv Národního technického muzea, fund No. 1539, K. Raba, Úvahy o výhledu rozvoje československé námořní plavby, p. 1, 128.

47 A Hurt, Záznam ze III. zasedání správní rady firmy Peute-Reederei GmbH v Hamburgu dne 29. 11. 1978, p. 2.

Financial Aspects of Operations

According to the Peute Reederei balance sheet prepared by the Fluss-Schiffahrts-Kontor as of December 31, 1978 and submitted on February 28, 1979, sales revenue amounted to 1,055.6 thousand DM and total costs to 894.2 thousand DM. Thus, revenues in total were 161.4 thousand DM. For the first year of operation, this was a good result, and it created a feeling of optimism for the upcoming years. As state in the 1978 Activity Review, dated March 1, 1979:

> Following final discussion with the tax advisor and the company headquarters of ČSPLO Děčín regarding how to deal with the profit, it was decided to make an adjusting entry against depreciation, absorbing the profit and thereby avoiding income tax of up to 56 percent.[48]

The report stated that the existence of Peute Reederei "surprised the German authorities, and the company thus became a serious (albeit small) political component (states the business association of river shipping companies on the Rhine—and our Czechoslovak embassy in the GDR)."[49]

The existence of Peute Reederei confirmed that business also had a political context. West German political circles were surprised and taken aback with respect to Peute Reederei. The capital infiltration of a socialist, state-owned enterprise had not been anticipated and did not confirm the prevailing view of concerning the lack of sophistication of these enterprises. In this case, the German side found the precedent for the penetration of socialist enterprises into Western Europe rather worrying. However, as it turned out, these worries were unfounded.

The 1979 Preliminary Profit and Loss Statement stated that "these financial results are to be considered preliminary and will be finalized in April 1980 after the final balance sheet has been completed and approved by the tax advisor. It is in the company's interests to report a loss to the German authorities and to avoid taxation and profit-taking."[50] As state in the preliminary trade balance of Peute Reederei for the year 1979:

> After adding the depreciation for 1979 and the loss of DM 2,913.0 from 1978, a "loss" (technical tax matter) arises which has nothing to do with the trade balance, and depreciation is in this case assessed as a

48 A Hurt, Peute – Reederei G.m.b.H. Zhodnocení činnosti za rok 1978 (červen – prosinec 78), Hamburg March 1, 1979, p. 2.

49 Ibid., p. 5.

50 A Hurt, Zpráva o předběžných výsledcích Peute Reederei za rok 1979, p. 3.

> reserve fund for the acquisition of compensation for depreciated FA [i.e. fixed assets, i.e. fixed capital] (silent reserve).[51]

Although the financial result again seems rather promising, several plans were not met. First, the enterprise could not train its own captains to replace the West Germans, who had to be paid higher wages. Had the German captains been replaced by Czechoslovak ones, a monthly savings of about 2,500 to 3,000 DM per captain was expected. Another failure was the fact that Peute Reederei failed to get involved in the transportation of Czechoslovak goods.[52] However, all this was to be achieved in the coming years.

According to the 1980 annual report, sales increased by 6.4 percent, but at the same time, diesel expenditures increased significantly, by 123.8 percent, insurance by 142.1 percent, repairs by 227.0 percent, and other costs by 121.0 percent.

> In terms of sales, FSK [Fluss-Schiffahrts-Kontor] did not achieve what was expected. Unfortunately, it must be said that high-tariff goods are very rarely obtained. It was also not possible to continue to carry out in cooperation with ČSPLO Děčín. [the official headquarters of ČSPLO in northern Bohemia] the rotation of Czechoslovak crews as needed, and it was also not possible to involve PR [Peute Reederei] in the transport of Czechoslovak goods.[53]

The positive evaluation of business activities and the high expectations which had been fed by this evaluation had to be somewhat reevaluated in 1981. The sixth meeting of the Administrative Board, which was held on April 24, 1981, stated that the preliminary results of the 1980 balance sheet were "very unfavorable." Expenditures on bunkers (fuels) had risen to 123.8 percent since 1979, and expenditures on repairs to 227 percent, while slight savings were achieved on wages. H. A. Drogand, the representative of the Fluss-Schiffahrts-Kontor, stated some surprising facts: "It was not possible to involve [Peute Reederei] in shipments of Czechoslovak goods, however, the ships also had more downtime due to technical defects. It might be appropriate to involve crews in the fastest and most economical use of vessels."[54] Regarding Peute Reederei,

51 A Hurt, Předběžná obchodní bilance Peute – Reederei za rok 1979, p. 2.

52 A Hurt, Report on the official balance sheet of the Peute Reederei, submitted to the Hamburg tax office, date by hand July 31, 1980, p. 3.

53 A Hurt, Report on the official balance sheet of the Peute Reederei, submitted to the Hamburg tax office, cover letter dated April 14, 1981, p. 3.

54 A Hurt, Záznam ze VI. zasedání správní rady firmy Peute Reederei GmbH v Hamburgu dne 24. 4. 1981, p. 2.

it was recommended that organization be improved, technical supervision be concentrated, ships be crewed with Czechoslovak crews, and cargo shipments be sent to one center. "It is necessary to return to the [Peute Reederei] proposal from May 18, 1979 and promote foreign currency involvement of the crew in the savings in fuels, oil, materials, and rapid turnover of vessels."[55]

This reassessment of the potential of the venture called attention to one of the common problems typical of the Czechoslovak economy. Thanks to social security and a guaranteed wage, employees were not motivated to increase their work efforts and thus cut costs. The ship's crew (engineer and boatman) consisted of ČSPLO employees who were "rented" for the agreed monthly payment by Peute Reederei. Foreign currency involvement, i.e. the payment of bonuses in foreign currency, was expected to increase motivation and improve the work ethic among the Czechoslovak employees. Another unfavorable factor was the increase of insurance. The unfavorable financial situation also affected the operation itself. The Administrative Board proposed to postpone the repairs to the Peute 3 and 4 until 1982 and 1983. The record stated that it was necessary to increase the profitability of Peute Reederei: "otherwise, its existence would be jeopardized."[56] For this reason, the following measures were taken:

a) Involve [Peute Reederei] via [Fluss-Schiffahrts-Office] to the maximum limit in the transport of high-tariff[57] goods.

b) Gradually involve PR in the transport of Czechoslovak goods in the GDR.

c) Improve the organization of PR supervision and management.

d) Involve the crews in the savings on fuels, oils, materials, and improved utilization of vessels (see 1979 PR HQ proposal).

e) Ensure its own reserve captain for 1981.

f) Limit repairs and material consumption to the operational minimum necessary throughout the entire year of 1981.

g) Focus on wage savings (overtime).[58]

55 Ibid.

56 Ibid.

57 A technical term referring to goods that have a high tariff rate. See Mleziva, *Vysokotarifující zboží*, 173–74.

58 A Hurt, Záznam ze VI. zasedání správní rady firmy Peute Reederei GmbH v Hamburgu April 24, 1981, p. 3.

It is worth pausing at this juncture to consider the shipping results of the first three years of Peute Reederei's existence. The increase in transported goods can be assessed positively. While from June to the end of 1978, transport volume amounted to 112,454 tons in 1979 it was already 191,122. However, the average monthly value showed a decrease of 16,065 tons (1978), more precisely 15,927 tons (1979).[59]

The summary table of Peute Reederei's results below shows that the operating profit, i.e. the difference between sales and costs, totaled DM 383,698.47 for the period 1978–1980, or on average (considering only part of 1978), DM 127,899.49 per year. However, the company did not report this result. Depreciation was deducted from the result, more precisely formal accounting losses, as mentioned above. At the same time, this relativizes a certain dissatisfaction with the Peute Reederei results. The table below shows that the company reported a certain profit, despite the competition in Germany and the 1979 oil crisis.

Table 1. Peute Reederei GmbH's actual financial results in the period 1978–1980 in DM

	1978	1979	1980	In total
Revenues in total	1,055,596.33	1,831,937.47	1,950,951.79	4,838,485.59
Costs in total	894,200.00	1,748,161.78	1,812,425.34	4,454,787.12
Balance	+ 161,396.33[a]	+ 83,775.69[b]	+138,526.45[c]	+ 383,698.47

[a] The document states 161,396.33 and 151,400 respectively depreciation (silent reserve) for the year 1978, which was 154,297.90 turns into a balance sheet loss of 2,913.0.

[b] A depreciation (silent reserve) for the year 1979 of DM 187,482.33 would change the accounting loss into a balance sheet loss of 103,706.64.

[c] A depreciation (silent reserve) for 1980 of 182,275.20 and a balance loss from 1979 of 103,706.64 would turn into a balance sheet loss of 147,455.39.

Source: A Hurt, Peute – Reederei G.m.b.H. Summary of the Activities 1978 (June–December 78), Hamburg March 1, 1979; Accompanying report to the Peute Reederei official balance sheet, submitted to the Hamburg tax office, dated July 31, 1980; The report accompanying the Peute Reederei official balance sheet, which was submitted to the Hamburg tax office, cover letter dated April 14, 1981; Summary of the Activities of Peute Reederei GmbH for 1978–1980, including comments on the balance sheet for 1980.

The following table summarizes the results submitted to the Hamburg tax office. As the data show, sales increased as well as (accounting) costs.

59 A Hurt, Záznam II. zasedání správní rady firmy Peute-Reederei GmbH v Hamburgu June 11, 1979; Zpráva o předběžných výsledcích Peute Reederei za rok 1979, sine.

Table 2. Officially presented balance sheet results of the activities of Peute Reederei GmbH in the period 1978–1980 in DM

	1978	1979	1980
Revenues	1,055,596.33	1,831,907.47	1,950,873.67
Special revenues		30.00	78.12
Revenues in total	1,055,596.33	1,831,937.47	1,950,951.79
Costs	1,058,509.33	1,935,644.11	2,096,209.45[a]
Balance	– 2,913.0	– 103,706.64	– 327,532.86

[a] including depreciation (182,275.20) losses from 1979 (103,706.64)
Source: A Hurt, Summary of the activities of Peute Reederei GmbH for the years 1978–1980, including a commentary on the balance sheet for 1980.

It could be assumed from the accounting documents that the financial benefit for the ČSPLO partner was negligible due to the non-recognition of the profit that could be paid to the partner. It might have seemed that the goals of Peute Reederei were not being met. However, the opposite is true. The benefit was that Peute Reederei could buy goods using foreign currency, formally for its needs, but unofficially for the needs of ČSPLO. It also drew services from ČSPLO, for which it also paid in foreign currency. These steps, of course, reduced profits, which, however, would be highly taxed if reported. Therefore, this procedure, which required at least the understanding of the other partners, proved more advantageous for ČSPLO. The total difference of the transfer from Peute Reederei to the ČSPLO account from the years 1978–1980 in the amount of 884.1 thousand DM was used for a crane (Schuppen 23, DM 300,000) in 1979 and for a crane (Schuppen 23, DM 270,000) in 1980, and an additional DM 9,800 was used for other investments. The remaining 304,300 DM improved the financial result of the Hamburg branch of ČSPLO.[60] The evaluation of Peute Reederei GmbH for the years 1978–1980 stated: "The overview shows that [… Peute Reederei] is not a loss-generating company for the Czechoslovak Socialist Republic, but is impacted, especially in 1980, by a sharp rise in costs."[61] The basic economic premise of Peute Reederei's operation was set out in the following words: "The company must officially report a financial result which cannot be taxed, but without giving the impression that it could go bankrupt."[62]

60 A Hurt, Zhodnocení činnosti Peute Reederei GmbH za léta 1978–1980 včetně komentáře k bilanci za rok 1980.
61 Ibid., p. 3.
62 Ibid., p. 6.

According to Drogand, "the high consumption of diesel in the type of ships used by [Peute Reederei]" played a major role the rising costs.

> Obsolete Škoda 600 PS engines on the Rhine at high water levels have very high fuel consumption without corresponding performance. Today, ships on the Rhine use modern fuel-efficient engines. There are also many accidents (see P5). Although PR's situation is not developing well and profitability has been declining since 1978 and 1979, this unfortunately also corresponds with the situation in West German companies engaged in river transport. Mr. Drogand reminded us that, on the other hand, by establishing PR, ČSPLO has achieved something that other companies from Eastern Europe have not yet succeeded in doing, and that this company's temporary lack of success should be tolerated. We should wait and see how the situation will develop after the first half of 1982. He also reminded us that by signing the intergovernmental agreement between the Czechoslovak Socialist Republic and the GDR on inland waterway transport, the importance of this German Czechoslovak company will continue to increase.[63]

It thus becomes very clear that the German partners were well aware of the political consequences of Peute Reederei's activities. Adamovský, Chairman of the Administrative Board, "expressed dissatisfaction with the developments so far and asked [Fluss-Schiffahrts-Kontor] for a detailed explanation of the overall development."[64]

Drogand responded by repeating the reasons already mentioned, and he asked for "closer contact with the management of ČSPLO in Děčín, especially as regards mutual information. There should also be better contact with Čechofracht, so that PR and [Fluss-Schiffahrts-Kontor] could be more involved in the transport of Czechoslovak goods. Attempts made in 1981 (goods via Hamburg instead of via Braunschweig) showed that it would work."[65] It should be added that the end of the 1970s was marked by a second oil shock, which caused oil prices to soar.

For 1982, the involvement of Peute Reederei and Fluss-Schiffahrts-Kontor in Czechoslovak transport was envisaged, as was closer cooperation between ČSPLO, Peute Reederei, Fluss-Schiffahrts-Kontor, and Streit Braunschweig and, in the event of an agreement, the establishment of a Joint Committee composed of experts from both countries.

63 Ibid.

64 Ibid., p. 3.

65 Ibid.

During the checking of tasks from the last meeting, it was stated that although it had not been possible to involve Peute Reederei in the transport of high-cost goods, much as it had not been possible to involve Peute Reederei in the transport of Czechoslovak goods, the concentration of a substantial part of Peute Reederei's management was put into the hands of Mr. Dynybyl (technical, operational, and personal), and Peute Reederei was able to provide its own reserve captain (H. Ehrlich obtained a license for the Rhine).

Due to the declining profitability of Peute Reederei, the Administrative Board set the following tasks for the next period: "a) Involve [Peute Reederei] crews on the turnover of busy vessels, material savings, fuel, and maintenance; b) Secure a license for the Rhine for at least three other Czechoslovak Captains in 1982; c) Carry out efficient and economical repairs of PR vessels (in foreign or own workshops); d) Carry out an analysis of the actual costs of individual PR vessels; e) Involve PR to a much greater extent in the transport of Czechoslovak goods (Braunschweig, Hamburg), possibly to the Czechoslovak Socialist Republic and from the Czechoslovak Socialist Republic; f) Improve and intensify contacts between the companies involved."[66]

The reasons for insufficient fulfilment of the expected results, especially with regards to foreign currency, primarily concerned issues at the administrative level (as the enterprise was a company according to West German law), discrepancies regarding labor law (as the company had a combination of Czechoslovak and West German employees), wages, competition on the West German transport market in the field of waterways, insufficient involvement in the Czechoslovak transport system (Čechofracht), inflation, and the economic crisis which came in the wake of the second oil shock.

Conclusion

Among the benefits of Peute Reederei for the Czechoslovak centrally planned economy, perhaps the most important was the possibility of mediated use of West German and West European waterways, access to the West German shipping market, new experience in areas of administration, and new pilot's (captain's) licenses and working contacts. Furthermore, the company was able to achieve savings on foreign currency funds, including foreign currency savings through Tuzex, (a network of shops in which foreign, especially Western, goods

66 Ibid., p. 5.

which were not available in the normal network of shops could be bought with foreign currency or Tuzex vouchers, called bons), savings on the purchase of spare parts, etc. It is impossible not to see the extent of the benefits which the company provided for the Czechoslovak economy on a number of levels. The legislative obstacle was the continually postponed signing of the expected Czechoslovak–West German agreement on inland navigation.

At the operational and technical level, the limiting factor was shown to be the outdated fleet which had an insufficient capacity and which operated with equipment which did not meet the company's needs. This was accompanied by financial problems. Given the weak financial results, it was not possible for the company to make the necessary repairs and modernize its fleet, let alone purchase new, more powerful and economical ships.

Although the use of Czechoslovak employees brought wage savings, at the same time, given their comparatively low remuneration, the employees were not motivated to increase their work efforts, which, in a highly competitive environment, also had a negative effect. It is also necessary to mention the economic context (economic crises, competition, operational efficiency, etc.). Some surprising shortcomings were also noted in the ČSPLO Chronicle.

The origin of the company was an attempt to address the problems which arose from the fact that it was impossible for the Czechoslovak state to use other rivers in Germany and in other countries of Western Europe under the non-contractual status it enjoyed on the Elbe. The company acquired its own clientele. It made it possible to gain experience on West German waterways for Czechoslovak pilots in order to obtain pilot's (captain's) licenses.

The company definitely "saved on" foreign currency funds on the one hand by using Czechoslovak parts, employing Czechoslovak boatmen, and cooperating with the Hamburg branch of ČSPLO. At the same time, the company's employees expanded their knowledge of business in an advanced market economy. Peute Reederei also strengthened the position of ČSPLO in Hamburg. This was undoubtedly one of the positives for the Czechoslovak planned economy. However, R. Hurt's personal initiative and entrepreneurial spirit was of no use to the system, and it alone could not be enough to ensure the effective functioning of the company. The limits, especially at the financial and operational level, were fundamental and, in the setting at the time, insurmountable.

One of the negatives was that the company failed to obtain a higher share of the shipments of high-tariff goods, as well as Czechoslovak shipments provided by Čechofracht. Also, there were comparatively few Czechoslovak captains with

a river captain's license. Czechoslovakia clearly did not want to draw too much attention to Peute Reederei and brag about the company. Again, there were two reasons for this. There were concerns regarding the possible reaction of the West German authorities, and it was important for the socialist state not to emphasize cooperation with foreign capitalists.

At the same time, the shipping company with joint capital participation at the time of its establishment prefigured a somewhat "more accommodating" approach of the state socialist economic policy, because in 1985, the Czechoslovak government, with resolution no. 187, "Principles for the establishment and operation of joint ventures of Czechoslovak entities and entities from non-socialist countries," enabled this cooperation, and legislation in this area was definitively concluded by Act No. 173/1988 Coll., on Companies with Foreign Ownership.

While the conclusion of cooperation agreements between Czechoslovakia and Germany was not unique in the 1970s (at the end of the 1970s, there were about 20 such agreements, especially in the field of engineering), the establishment of joint ventures was highly unusual. Although Czechoslovakia had foreign ownership rights in Germany, Germany had no such rights in Czechoslovakia. In Frankfurt am Main, the Semex company functioned with the participation of Motokovo, and in Hamburg, Intersug operated with the participation of Koospol, Jablonex, and Metalimex. After 1985, the number of joint ventures increased significantly, for example between Tesla Brno and Senetec PLC and Škoda Plzeň and Deutsche Babcock.[67]

The case of Peute Reederei can even be described as a form of capital expansion of socialist Czechoslovakia into the West German shipping market and the pursuit of business in the capitalist market with socialist means (technical and technological backwardness, inelasticity, insufficient flexibility). This example can also be used to document the clashes in the mentalities of the representatives of the centrally planned economy and the market economy. Further study of this issue is directly dependent on the accessibility of archival material of public and private provenance.

Peute Reederei survived the structural changes in the Czechoslovak (Czech) economy after 1989. However, its importance began to wane, and soon, the reasons for its continued existence gradually faded. Peute Reederei no longer

67 Fabianková and Johnson, "Hospodářská (ne)kooperace," 196–97; Fabianková and Johnson, "Wirtschaftsbeziehungen," 91–92.

thrived, but rather merely subsisted. At the beginning of the twenty-first century, Fluss-Schiffahrts-Kontor took over the majority stake in Peute Reederei. In 2009, insolvency proceedings were initiated. The time allotted to its existence ended only recently, however. Peute Reederei was not officially deleted from the Commercial Register until January 4, 2013, due to a lack of assets.[68]

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Foreign Investments and Socialist Enterprise in Slovenia (Yugoslavia): The Case of the Kolektor Company

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In this article, I examine foreign investment in the socialist enterprise in the former Yugoslavia based on the case study of Kolektor in the context of the liberalized communist social and economic order. Foreign investments were allowed in the form of joint ventures. I present these investments from the viewpoint of economic reforms, the concept of socialist enterprise, and the concept of economic development, which enabled foreign investments and shaped regulation and the structure of foreign investments in Yugoslavia. The history of the case of Kolektor began at a time when Slovenia still belonged to the former Yugoslavia, which was arguably a liberalized type of communist economic system. This was during the Cold War, when both Europe and the rest of the world were divided essentially along the lines of the communist east and the capitalist west. The Kolektor Company was established in 1963 as a state socialist enterprise for the manufacture of the rotary electrical switches known as commutators. From the outset, the company tried to establish international cooperation to acquire modern technology. In 1968, it reached an agreement with the West German Company Kautt & Bux, which at the time was the technological and market leader in the production of commutators. Kautt & Bux invested in Kolektor and became an owner of 49 percent of the company. The investment proved very profitable for both partners. The Slovenian side got access to modern technology and expertise, and the German side got additional production facilities, skilled workers, and low-cost production, which increased its competitiveness on international markets.

Keywords: Yugoslavia, Slovenia, communism, commutator economic reforms, socialist enterprise, joint ventures

Introduction

In this article, I examine foreign investments in Yugoslav companies during the communist period. Yugoslavia was among the first communist countries to allow foreign investments in the form of joint ventures in 1967. Later, it was followed by other communist countries. Yugoslavia attracted a larger volume of foreign investments than all other communist countries put together. It differed from the other Eastern Bloc countries because its economic and political system was

decentralized, the state was better integrated into the global economy, its foreign economic relations were liberalized, and individual companies were responsible for their own success. This paved the way for foreign investments once they were allowed. The system of self-management was introduced with reforms in the early 1950s. It prospered thanks to a significant level of decentralized decision-making at the political and economic level. In the middle of the 1960s, it was decided that foreign investments in Yugoslav companies should be allowed, together with the integration into the international division of labor. The decision was strategic and pragmatic. In close cooperation with foreign partners, domestic companies would get access to modern technologies and management know-how, and they thus would be better able to penetrate Western markets. Also, foreign investments were cheaper than the importation of foreign capital through state borrowing. After that, the idea of attempting to attract foreign investment persisted in the Yugoslav territory until the dissolution of the state in 1991. Over the course of a period of twenty years, regulations would keep changing, becoming increasingly favorable to foreign investment, depending on the political circumstances.

The article is divided into six shorter sections. The first section summarizes the economic reforms and development periods during the existence of communist Yugoslavia. The second section analyses the distinctive characteristics of Yugoslav companies, which must be taken into consideration if one seeks to understand the positions of foreign investors. The third section traces the institutionalization of foreign investments. The fourth focuses on the regulation of foreign investments with emphasis on the essential aspects of regulation and changes over time. The fifth section examines the scope of foreign investments in view of the sectoral structure, regional distribution, and origins of foreign investors. A detailed case study of foreign investment follows in the sixth section, specifically the Western German Kautt & Bux company's joint venture with Kolektor from Slovenia. The case study illustrates the pattern of investment in a Yugoslav company and of cohabitation between a foreign partner and a self-management company. This company's experiences, however, were not typical of the practice of foreign investment into Yugoslav companies. Its long-term success makes it an exception, as most of the joint ventures were of a comparatively short duration and were of limited expansion and innovation. Kolektor, rather, offers a good example of what the Yugoslav authorities envisioned and hoped for when they decided to allow foreign investors to partner with domestic enterprises.

Economic Models

Economic development in Yugoslavia can be divided into four periods, each of which saw the emergence of a distinctive economic model. The first one lasted from 1947 to 1951. This period saw the rise of a centrally planned economy. In other words, it was the period in which administrative planning was implemented according to the Soviet example. The top priority was to develop heavy industry even if it meant neglecting other sectors, including sectors which had a direct impact on people's living standards. In the second period, central administrative planning was abolished (1952–1965). The plan became a mere orientation concerning how the economy was supposed to develop. Furthermore, it became polycentric, as the individual republics attained the right to specify the priorities when it came to their economic development. In the context of the goals specified in such a manner, the companies would supposedly pursue their interests. Partial competition among companies was enabled. Companies were allowed to establish horizontal connections, i.e., communicate among themselves according to their business interests. Thus, hierarchic communication with the ministries in the framework of the centrally planned company activities was abolished. With reforms, decision-making was divided between the political and economic level. Companies became responsible for their own success, and their leaderships could make business decisions autonomously. The new economic model emphasized the development of the consumer goods industry and intensive rather than extensive development, i.e., productivity growth, business efficiency, and the liberalization of international trade. The third period (1965–1975) was called the period of "market socialism." It saw the use of so-called indicative planning. Companies set their own business objectives in line with the national economic development plan. The focus of economic policy was on boosting consumer spending and income growth. The strengthening of the secondary and tertiary sectors, the integration of Yugoslavia into the international economic space, and the international division of labor were also emphasized. The intention was to strengthen the functioning of the market and the productivity and efficiency of the economy, to increase the level of general education, and to enhance the role of business research and development, either independently of or in connection with the academic sphere. The fourth and last period (1976–1991) was characterized by the consolidation of "workers' self-management." A turning point came when the society and the economy were reorganized according to the principles of the so-called "contractual economy,"

which was supposed to strengthen the influence of workers (through self-management) in the management of economic entities. From the strategic point of view, the country changed its model and focused on the promotion of basic industries, energy, and raw materials. Attention was also paid to export growth, the reduction of the deficit in the balance of payments, efficient energy use, higher productivity, and closing the regional and economic gaps. The general decentralization of decision-making altered the nature of social planning. The planned goals became a synthesis of the planning by different actors, including companies, associations, and public authorities. Due to measures which were taken to further decentralization, which in turn diminished the power of the state authorities (especially the federal ones), the role of the renamed Communist Party became very important. With its cells in all of the social and economic units, the Communist Party, the League of Communists of Yugoslavia (LCY), became an informal integrating element of a fragmented society and economy.[1]

Yugoslav Companies

Foreign investments were also determined by the structure and concept of socialist enterprises in Yugoslavia, where there was a system of ownership that was unique in the Socialist Bloc. With the abandonment of the centrally planned economy and the introduction of "workers' self-management," the concept of state ownership and hierarchical management of socialist enterprises was abolished as well. In the context of the reforms, companies were becoming responsible for their own success. They were able to establish connections and engage in cooperative business endeavors according to their own interests and the demands of their activities. The transfer of responsibilities to companies took place in the context of the general decentralization of the state. At the same time, the transfer to lower units also meant a change in the ownership concept. The concept of state ownership was replaced by that of "social ownership." According to this concept, the company was the property of society, i.e., of the entire population. Meanwhile, the workers were intended to run the company. The concept of social property was linked to the concept of "workers' self-management." This meant that company employees had the right to manage the

1 Ramnat, "Yugoslavia: Self-Management"; Prinčič, "Tuje naložbe"; Woodward, *Socialist Unemployment,* 165–90; Bićanić, *Economic Policy,* 192–210; Flakierski, *The Economic System;* Dyker, *Yugoslavia – Socialism, Develepomnet, Debt,* 19–90.

company, determine its activities, production volumes, sales prices, marketing strategies, investments, and the use of profits.[2]

In Yugoslavia, a company could be set up by a municipality, a republic, the federation, another company, a bank, or even a group of citizens. New companies could also be created by merging or splitting up existing enterprises. The founder was obliged to provide the necessary capital. Companies were autonomous in determining their business policies. The power in the company hinged on the working community. With their employment in the company, all workers acquired the right to comanage the company. The working community would elect the highest management body in the company: the "workers' council." The workers' council decided on all business strategies and implementation orientations. It also appointed the company's management, board of directors, and the director. Board members were accountable to the workers' council. The director was appointed by the workers' council. The decision was formally based on the council's public call for candidates, but the local party leadership initially made the choice. The period of tenure was four years, and there were no limitations on the number of terms. The director managed and administered the company on behalf of and by the authority of the workers' council. In his work, he had to pursue the interests of the "working community," to which he was ultimately accountable. The director had the right and obligation to participate in the workers' council meetings, but he or she was not supposed to play a decisive role. The question of the realistic distribution of power, responsibility, and authority in Yugoslav companies was crucial for foreign investment decisions. Individual directors would successfully lead companies through the strength of their personalities and persuasive abilities. However, the real power of the workers' councils also had to be taken into account.[3]

The notion of workers' self-management was not merely a matter of abstract conceptual thinking or disingenuous rhetoric. It had to be taken seriously in case of every intention of foreign investment, and the investments had to be negotiated with the company itself or with its management. On the other hand, Yugoslav companies were obliged to secure the consent of the authorities and political bodies. Another important issue also arises in connection with the roles of political bodies: that of political intervention in companies. Foreign investors needed to consider this possibility as well. As the reforms weakened

2 Conner, "Joint Ventures in Yugoslavia," 46.

3 Milutinovich et al., "Investment in Yugoslavia," 53.

the influence of the central authorities in companies, the influence of the party authorities within the given republic and district survived. The LCY had cells in every social organization, including companies. The political line would thus control the company and supervise the decision-making mechanisms and company management. As party members, the directors had a twofold responsibility. On the one hand, they were accountable to the employees, i.e., to the "workers' council," but they were also accountable (as noted above) to the local party leadership.[4] In practice, this meant that there were formal and informal levels of decision-making which were sometimes complementary and sometimes conflicting. Meanwhile, the LCY had a monopoly on personnel policy. Decentralization also implied a transfer of social power. Corporate self-responsibility also meant that the social power of company managements grew in strength. The control exerted through the local Communist Party authorities at the company and municipal level was intended precisely to regulate this power. This was necessary to ensure that companies would pursue the overall social objectives rather than just their own aims. However, in this manner, the companies' "self-management" and self-responsibility for their own economic success was systemically denied. Company leaderships would struggle to balance their political and economic performances, with the former often taking precedence. This dilemma was identified at the time by domestic critics, who also questioned the concept of market socialism.[5]

The Decision to Accept and Encourage Foreign Investment

Yugoslavia was the first socialist country to allow foreign investment in its economy. Hungary, Poland, Romania, and Bulgaria followed later.[6] Due to the nature of the system, the investments could only take the form of joint ventures. The 1960s were an important period in the economic history of Yugoslavia (and Slovenia). They bore witness to a significant attempt to change the economic and social landscape. Economic reforms were implemented to make the economy more efficient, increase business incomes, and make the economy more competitive in foreign markets. Naturally, everything was done within the framework of the communist ideology, which meant that change was desirable, but only to the point where it did not threaten the existing fundamental postulates

4 Prinčič, "Direktorski položaj."

5 Bučar, *Podjetje in družba,* 109–20.

6 Bozescu, "Joint-Ventures in Eastern Europe."

of the communist political, social, and economic order. Thus, in the process of phasing out the centrally planned model, the state started to shift some of the responsibility for economic success to businesses and local communities. It only allowed the market to function, but only within limits set by the state, and it refused to give up the mechanisms with which it controlled the economy. The state also promoted the integration of companies into the international environment. In principle, it supported integration into the international trade flows and the international division of labor. The internal and external trade regimes were gradually liberalized, and some measures were even taken to attract foreign capital.[7]

Foreign investment was one of the major development issues in this process. At the time, after the country's accession to the General Agreement on Trade and Tariffs (GATT), following the adoption of the Great Economic Reform (1965), the Yugoslav authorities wanted to integrate the country into the international division of labor. The 1965 reform was one of the most comprehensive and profound of the Yugoslav economic reforms. After these reforms were adopted, the concept of market socialism was consolidated. At the time, it was clear that integration into the international division of labor also meant opening up the country to foreign investment. For a short time, a view prevailed according to which it was socially cheaper to allow foreign capital to enter domestic companies than to build economic development solely on foreign loans.[8] However, the price of capital was not the only factor. The expectation was that domestic companies would thereby gain swifter access to modern technologies and, by leaning on foreign partners, enter foreign markets.[9] It was also expected that the "workers' self-management" would become stronger, the general economy and individual enterprises would become more efficient and profitable, and the pace of industrialization would accelerate. Furthermore, the balance of payments was also supposed to improve, as foreign investment would boost exports of higher-value products and help the country address its capital shortage. The issue of unemployment was pressing. The decision was adopted in a context of very high levels of recognized unemployment and increasing economic emigration to Western European countries. It was hoped that foreign investments would allow the country to create jobs more quickly.[10]

7 Prinčič, *V začaranem krogu,* 117–32.

8 Gnjatović, *Uloga inostranih sredstava,* 90–93.

9 Prinčič, *V začaranem krogu,* 117–32; Prinčič, "Tuje naložbe."

10 Chittle, "Direct Foreign Investment," 771–73.

Regulation of Foreign Investments

Foreign investment was regulated by specific legislation which was adopted in various stages. At the initial stage, acts which paved the way for joint ventures were adopted. In the subsequent stages, more detailed regulation of the relationships followed. The process started in 1967, when an act was adopted to tax the profits of foreign companies that invested in Yugoslav companies. A second act limited the foreign investor's share. The domestic company had to hold the majority in the joint venture (at least 51 percent). Foreign investment was not allowed in banking, the insurance industry, domestic transport, trade, and public utility services. The domestic and foreign partner had to conclude a joint venture agreement, define the purpose of the agreement, and determine the mutual relations in terms of capital, management, cooperation, operations in domestic and foreign markets, and, of course, the division of profits.[11] The domestic company had to obtain the informal consent of the republic's authorities even to enter the initial negotiations. After the conclusion of the agreement, it had to be sent for approval and entry in a special register of such companies at the Federal Ministry of Economy in Belgrade. The foreign partner was guaranteed certain rights under the law: the right to retain ownership of its capital contribution and to sell it, the right to a proportionate share of the profits, the right to comanage the company, and the right to access all documentation. It was also very important that the foreign partner had the right to repatriate the majority of its share of the profits. In summary, foreign investors were allowed to manage the company and participate in it based on ownership (investment). Rights went hand in hand with duties. Thus, the foreign partner had to reinvest at least one fifth (20 percent) of the profits in the domestic company or invest them in a Yugoslav bank at the usual interest rate. The foreign partner also had to pay the required taxes: a profit tax of 35 percent, which was supposed to be a more favorable tax rate than in Western European countries, where most of the potential interest in investing in Yugoslav companies was expected to be found.[12]

The 1970s were a decade of contradictions. In 1971, although the requirement to reinvest part of profits was abolished, the foreign investor could repatriate only one-third of the income earned by exports after having paid the relevant taxes. The individual republics were allowed to set their own tax rates on foreign

11 Sukijanović and Vujačić, *Industrial Cooperation,* 22–38.

12 *Investiranje stranog kapitala.*

investments. In 1973, long-term investments and the joint and several liability of Yugoslav companies in joint ventures with foreign investors were regulated in more discouraging detail. In June 1976, conditions for foreign investments were tightened. Only foreign investment aimed at exports for foreign markets would be approved. Contracts needed to be more precise. The volume of exports and the currencies had to be specified for foreign investors to receive their profits. The rights of joint management bodies were also limited in the sense that they were not allowed to interfere with the "self-managing" structure of companies. The responsibility to determine business policy was transferred to work councils. This limited the foreign investor's right to manage the company. These repeated changes limited growth in foreign investment.

The legislative changes of April 1978 were again more favorable to foreign investment, as special protections were granted to foreign investors. This time, the legislature put foreign investors on an equal footing with domestic companies in terms of the right to manage. The rights of the company's joint management board were laid out in detail. In addition, foreign investment in banking was allowed, which was to be regulated by a special act. Foreign investment in the insurance industry, trade, and public utility services remained prohibited. A provision that allowed foreign investors to repatriate half of their export profits was important for them. The next step was taken in 1984, when ownership restrictions were lifted. Foreign investors could now also become majority owners. The last change dates to 1988, when a new foreign investment act completely freed up foreign investment. Prohibitions in the military industry, rail and air transport, telecommunications, the insurance industry, and media remained in place. The act put foreign investors on an equal footing with domestic companies in terms of tax reliefs and government incentives. The foreign investor acquired all management rights and the right to transfer all profits, and collective agreements would be concluded with the employees.[13]

Foreign Investments in Yugoslavia

The Yugoslav joint ventures policy attracted the attention of the international business, academic, and political public. The number of articles and expert analyses on the subject was considerable. This had an impact on the flow of capital into Yugoslavia. Yugoslavia succeeded in attracting investments from the

13 Prinčič, "Tuje naložbe," 112–19; Artisien and Buckley, "Joint Ventures in Yugoslavia," 117–20.

most technologically and economically advanced countries. The data from 1980, compiled by the OECD, indicate that the volume of foreign investment was gradually increasing.[14] Among the industrial sectors, metalworking, the chemical industry, and transport equipment manufacturing attracted the most investment. Despite the constantly changing regulatory measures concerning joint ventures, the political-ideological prejudices in the country, and the actual constraints of the political and economic system, the volume of foreign investment should be deemed only a limited success, since its total value remained a small share of capital in all sectors except metal production (see Table 1). The interest from foreign private Western companies was still considerable, especially those that had already established cooperation with Yugoslav companies. The Western companies' motives for investing in Yugoslav companies varied and, above all, included the low price of labor and the tax advantages, which allowed for the acquisition of the Yugoslav market, sales through Yugoslav companies to other communist countries, and competitive exports to Western markets due to the low price of labor. As a rule, investments would be proposed by Yugoslav companies.[15] The main motivation of foreign companies was, therefore, further growth, profitability, and export opportunities to third markets. Foreign companies that strived to understand the Yugoslav ideological-political reality were successful at investing. A survey of a sample of Western companies in Yugoslavia showed that

Table 1. Foreign investments by economic sector, 1968–1980

Sector	Number of contracts	Total investments (millions of dinars)	Share of capital
Food, Drinks, and Tobacco	17	2,577	5.5 %
Chemicals and Allied Industries	27	5,843	12.5 %
Industries in Which Metals Were Used	17	2,269	4.8 %
Production of Metals	12	22,218	47.8 %
Wood and Paper Industry	8	3,094	6.7 %
Transport Equipment	17	5,860	12.6 %
Electrical Engineering	14	1,395	2.9 %
Rubber Industry	8	2,178	4.7 %
Other Industries and Activities	44	1,137	2.5 %

Source: Artisien and Buckley, "Joint Ventures in Yugoslavia," 116.

14 Artisien and Buckley, "Joint Ventures in Yugoslavia," 114–17.

15 Patton and Do, "Joint Ventures in Yugoslavia," 53.

investments in Yugoslav companies met their expectations. Foreign companies would follow several investment goals. The relatively lower return on investment was compensated for by the increase in exports to other communist countries and the conquest of the Yugoslav market.[16]

While foreign investors were evenly distributed, most came from countries that were also Yugoslavia's largest foreign trade partners. The main players were companies from the contemporaneous European Economic Community. Unsurprisingly, Germany and Italy were in the first place (see Table 2). They were followed closely by companies from the United States of America, though only in terms of the number of contracts concluded. However, the United States was the top investor by far in terms of capital invested due to their heavy investment in the oil refining industry.

Table 2. Origin of foreign investors in Yugoslav enterprises, 1968–1980

Countries of origin	Number of contracts	Foreign capital invested (millions of dinars)	Share of total foreign capital
USA	30	3,368.0	32.8 %
UK	12	1,777.8	17.3 %
Switzerland	19	1,637.1	16.0 %
West Germany	52	1,123.0	11.0 %
Italy	31	937.6	9.1 %
France	11	290.0	2.8 %
Austria	7	254.1	2.5 %
Sweden	6	223.3	2.2 %
Luxembourg	4	126.0	1.2 %
Belgium	6	124.4	1.2 %
Netherlands	3	75.6	0.7 %
Others	17	402.2	3.2 %

Source: Artisien and Buckley, "Joint Ventures in Yugoslavia," 115.

While foreign investments in Yugoslav companies were territorially dispersed throughout the country, they were also regionally concentrated. The idea of the Yugoslav economic development planning that foreign investment would contribute to the more rapid development of the underdeveloped republics was not realized. Most joint ventures were secured by companies from the developed

16 Lamers, *Joint Ventures Between Yugoslav and Foreign Enterprises,* 205–16; Artisien and Buckley, "Joint Ventures in Yugoslavia," 120–32.

regions of Slovenia, Croatia, and Serbia (see Table 3). As the legislation allowed it, a kind of "competition" emerged to attract joint ventures. The underdeveloped republics offered lower tax rates to attract a higher share of foreign investments. Montenegro, Vojvodina, and Kosovo set a tax rate of 10 percent. The Kosovo authorities offered an even more reduced rate of only 5 percent for investments in Kosovo's underdeveloped municipalities. Serbia and Macedonia set tax rates of 15 percent and 14 percent, respectively. In Serbia, any foreign investor could benefit from a half tax rate if they invested in economically less developed areas. Slovenia and Bosnia and Herzegovina set their tax rates at 20 percent. Croatia taxed foreign investors more, at 35 percent. However, it also recognized reduced rates, for example, in the case of investments in tourism activities, the rate was only 5 percent for the first five years and 20 percent thereafter.[17] However, through tax policy alone, the underdeveloped republics could not make up for the advantages of the developed republics, which offered a better educated and experienced workforce, better infrastructure, more efficient companies, and better integration into the international economic space.

Table 3. Regional distribution of foreign investments in Yugoslavia 1968–1980

Location	Number of joint ventures	In millions of dinars	Share
Serbia proper	41	2,589	30.9 %
Croatia	34	2,585	30.9 %
Bosnia-Hercegovina	29	1,186	14.2 %
Slovenia	43	1,026	12.4 %
Vojvodina	9	470	5.6 %
Macedonia	6	184	2.2 %
Kosovo	3	180	2.2 %
Montenegro	2	134	1.6 %

Source: Prinčič, "Tuja naložbe," 116.

In the individual republics, special bodies were established to attract foreign investments. In Slovenia, these bodies were a part of the Chamber of Commerce and the state administration. The Chamber of Commerce established a Foreign Capital Investment Commission to provide legal and economic information to domestic and foreign companies and to assist them in making foreign investments. The same role was performed by the Work Group on Foreign Investments of

17 Artisien, *Joint Ventures in Yugoslav Industry,* 115.

the Ministry of Economic Cooperation with Foreign Countries of the Socialist Republic of Slovenia.[18] At the international level, a special organization called the International Investment Corporation for Yugoslavia (IICY) was established to provide support for interested foreign companies. The project idea was developed in the Yugoslav banking circles to facilitate and purposely promote foreign investments in Yugoslav companies. In November 1968, a group of Yugoslav bankers, in cooperation with the International Finance Corporation of the World Bank Group (IFC), initiated consultations about the new institution. The response among Western bankers was sufficient for a decision to set up an institution aimed at providing assistance for private enterprises regarding their cooperation with Yugoslav companies. It would help them find business partners and raise the necessary capital in the form of loans or venture capital. The primary objective was to bring modern production techniques and management know-how to Yugoslavia. The IICY became operational in December 1969. It was based in London, Europe's largest financial center, but registered in Luxembourg for tax reasons. The founding capital in the amount of 12 million US dollars was contributed by 12 Yugoslav and 39 foreign banks, with the assistance of the International Finance Corporation. The founding banks described the new institution as a "pioneering type of investment company, through which private business will invest in joint industrial, agricultural and tourism and other services ventures in Yugoslavia." The largest shareholders included Yugoslav banks and banks from Austria, Germany, Switzerland, France, Italy, and the Netherlands, i.e., from the countries with which Yugoslavia had already developed economic cooperation. However, financial institutions from the USA, UK, Sweden, Japan, and Kuwait were among the shareholders as well. In the early years, the IICY played an important role in attracting foreign capital to Yugoslavia. By 1973, it had participated in 22 percent of the total investments and provided capital support for these investments. It also invested in its own name, partly in the form of loans and partly in the form of risk capital. Its representatives ensured that investments were balanced regionally and by sector. As the Yugoslav banks and their international activities expanded, the IICY's importance gradually diminished, as had been expected would happen when it was founded.[19]

18 Prinčič, "Tuja naložbe," 117.

19 Lamers, *Joint Ventures Between Yugoslav and Foreign Enterprises,* 216–19; Patton and Do, "Joint Ventures in Yugoslavia," 54.

"We Worked in Socialism, but We Need to Act and Think as if We Were in Capitalism."[20] *The Case of the Joint Venture between Kolektor and Kaut & Bux*

The Kolektor Company was established in 1963 as a state socialist enterprise for the production of commutators. From the outset, they tried to establish international cooperation in order to acquire modern technology. In 1968, when for the first time the joint ventures were allowed, Kolektor made an agreement with the West German Company Kautt & Bux, which at the time was the technological and market leader in the production of commutators. Kautt & Bux invested in Kolektor and became the owner of 49 percent of the company. The investment proved very profitable, as both partners benefited. The Slovene side got access to modern technology and expertise, and the German side got additional production facilities, skilled workers, and low-cost production, which increased its competitiveness on international markets. The German side also got the exclusive right to handle marketing. Kolektor was only allowed to sell products under its own brand in the communist part of Europe. The investments in development and technology were always very high, and both partners were obliged to make them. As a foreign partner, Kautt & Bux had to invest at least 20 percent of its profit in order to be allowed to export the rest of its profits. Both partners also made a commitment to decide jointly on reinvesting the profits and on additional investment above the legally set limit of 20 percent. Kautt & Bux regularly reinvested the generated profits. The repatriation of profits represented a mere 2 percent of the profit per year.

The main threat to cooperation with foreign partners was the system of management of Slovenian and Yugoslav enterprises. It was based on the ideology of socialist self-management, according to which all decisions on business processes were to be entrusted to the "workers council." In Kolektor, they had to deal with this obligation on a daily basis. The company tried to be flexible. On the one hand, they insisted on contractual provisions, but on the other, they strove for balance with the Yugoslav provisions on self-management. Fortunately, Kautt & Bux was equally pragmatic. Two parallel "mind" structures were thus pragmatically established in Kolektor. They differed completely in their origin, backgrounds, and purposes. The "communist" and "capitalist" structures and methods of management intertwined in the company's operations. The latter structure eventually prevailed. Jožica Velikajne, a long-standing associate

20 Jožica Velikajne, a former employee of Kolektor, on the joint venture with Kautt & Bux.

of the company, described the split personality of the company: "Half of the time, we lived in socialism and the other half in capitalism." But a pragmatic solution was found which was respected by both sides and which enabled long-lasting cooperation. With the entering of German investors, Kolektor began to undergo a process of deep economic, social, and cultural changes. Kolektor was partly excluded from the local environment. Kolektor's management structure was different. It was led by two codirectors, one from Germany and one from Slovenia. Decisions could be made only with the agreement of both sides. Kolektor as a company was faced with an urgent need to adapt to western, namely German business standards and habits, well also dealing with the characteristics of the local communist environment.

Kautt & Bux assured itself control over management of the company and thus protected its interests, but this indirectly brought it into a "systemically built-in" conflict with the self-management system. This is why it was also ready to give certain concessions to the Slovene factory. In one of the provisions, Kolektor received an assurance that Kautt & Bux would guarantee each year a minimum volume of sales of Kolektor commutators on foreign markets. This was a great achievement for the factory, as it made a much-desired expansion possible. They could thus use the revenues from exports to finance the modernization and expansion of production capacities and the import of special tools and indispensable semi-finished parts. Both partners also made a commitment to decide jointly on reinvesting the profits and on additional investment above the legally set limit of 20 percent.

In line with the existing legislation, the contract laid down that the company would be managed by a joint management committee with a full mandate to run the company. Yet the self-management organization of the company had to remain intact. But once again, Kautt & Bux got a concession here. At its request, a provision was added to the contract according to which "the supreme self-management body," i.e., the "workers' council," had to respect all contractual provisions and all decisions taken by the joint management committee. In this manner, the German partner assured itself in advance of the protection of its interests.

Another part of the process of establishing cooperation between the two companies and entering into a joint venture was a financial check-up of the company, which took place in November 1968. The German partner was interested in the structure and method of Yugoslav bookkeeping and accounting, including its everyday practices and categories. It wanted to check the credibility

of the financial statements of the Kolektor company. It sent to Kolektor a group of three accounting and tax experts. Their report confirmed the credibility of the financial statements. They even concluded that the bookkeeping and accounting at Kolektor was very good and precise in every detail. The auditors, however, noted certain terminological differences stemming from the Yugoslav system and accounting standards. They recommended standardizing the terms or specifying clearer definitions of individual terms so that their meanings would not be lost in translation. They were extremely satisfied with the financial control exerted by the authorized state services, in particular the audit service of the central bank. They even found a good feature in the management structure of Yugoslav enterprises. They believed that the controlling authority of workers' councils was a good solution, as such internal control largely prevented the possibility of personal profiteering. They eventually reminded the accounting service of the obligation to send quarterly financial statements to Stuttgart. Thus, the accounting service was subject to additional control. But it was very important that the representatives of Kautt & Bux trusted the accounting service and did not question the credibility of its reports.

Kolektor was one of the first cases of an investment by a Western European partner in a self-managed socialist company in Slovenia and even in Yugoslavia. There were, understandably, many ideological suspicions and idle fears, which were also reflected within the company. Any close connection with a foreign partner was met with great mistrust and concealed opposition, as is evident from the minutes of the meetings of the workers' council. At its session of July 9, 1968, the council had on the agenda the approval of the contract with Kautt & Bux. After the director read the contract and provided an extensive interpretation of individual provisions, all the hidden fears, distrust, objections, and reservations came to the surface. He was also assisted by the president of the municipality, whose presence at the meeting gave the agreement wider political support and the backing of the local political environment. It was the president who stressed several times that the contract was not the type of contract which allowed the exploitation of workers, and thus he rejected in advance the suspicions that could be felt from the tone of the speakers. The fear stemmed largely from the difference in the levels of wages in Germany and Slovenia and the reservations regarding the real prices of supplied raw materials and semi-finished goods. In modern terms, this meant that some of them saw in the envisioned partnership the danger of the effect of transfer pricing which Kautt & Bux could turn to its advantage in terms of its profit levels. The other reservations concerned

technology. Some members were quite impatient and objected to the gradual nature of the transfer of production. According to the plans at the time, they were first to produce commutators which required only minor adjustments to production and only later to switch to the production of more demanding types. After a lengthy discussion, they nevertheless reached a decision that Kolektor should sign the contract.

According to the contract, the Kolektor would invest all its available assets, and the foreign partner would invest cash, machinery, tools, the necessary know-how, experience, and goodwill. The investment ratio between the partners was at the upper limit what was allowed: Kautt & Bux could only obtain a 49 percent equity stake. Although the German partners wanted a majority stake, they had to accept this as the only possible option. But they insisted on a provision stating that, were Yugoslavia to adopt new legislation concerning foreign investment, Kolektor would agree to each of the two parties holding a 50 percent stake. The foreign partner also required additional assurances of the safety of its investment. They therefore negotiated the right to cosign any contract. Each contract had to be cosigned by a representative of Kautt & Bux's management. The term "codirector" was used in the contract. When responding to the ideological accusations regarding this delicate issue of a "codirector," Kolektor successfully explained to the authorities that the term itself was merely a "terminological concession." They explicitly assured that it would not have any consequences for the management of the company, as all other management structures typical of a socially self-managed company would remain in place. These explanations notwithstanding, this provision constituted a significant change in the structures and methods of company management and business.

Both partners were pragmatic enough that the cooperative undertaking proved very successful. In the period beginning with the conclusion of the contract and ending in the early 1980s, production and exports grew at an average annual rate of 12 percent. By the mid-1970s, the volume of production surged around eightfold, and around half of all commutators produced were sold to foreign markets through Kautt & Bux. The share of production for the foreign partner was slowly rising, and Kautt & Bux constantly exceeded the purchase value of commutators set out in the contract. Kolektor became a supplier to numerous European companies, including Philips, Bosch, AEG, Siemens, Vorwerk, and Perles. Moreover, thanks to the new technology, the door to the Yugoslav market was also opened wide. Kolektor had an 85 percent market share of the domestic market.

Kolektor increased its production, technology, and market share rapidly. It also constantly invested in research and development, and it enjoyed successes with a few patents which enabled it to lower production costs substantially. Kolektor also improved the educational qualifications of its employees. At the end of 1980, Kolektor has already surpassed Kautt & Bux by volume of production and overall operation, market share, and profitability. Kolektor went from being a recipient of knowledge to an innovator, a company which generated its own knowledge and started to base its further growth on this knowledge.

Then, in 1988, the first agreement, which had been signed 20 years earlier, came to an end. After initial disagreement, a new contract was finally signed which was very similar to the first agreement from 1968. But there was one important difference. Kolektor would be allowed to sell in markets where its German partner did not have its own company for the production or sale of commutators or its own sales agents. Thus, a small window opened for Kolektor for independent marketing with its own brand.

The 1990s were the challenging years for Kolektor and Kautt & Bux. The transition period in Slovenia and the business troubles faced by Kautt & Bux created a new context. During the post-1989 transition, it was finally possible to transform the Kautt & Bux share in Kolektor into a pure capital investment. Kautt & Bux achieved a majority share, 51 percent, with the lease of the production line to Kolektor. It was stipulated that Kautt & Bux's majority share should be reduced after Kolektor had paid off the production line. Kolektor did that in two years, so the share of Kautt & Bux decreased to 50.01 percent. Kautt & Bux at that time still held the exclusive sales and marketing rights for Kolektor's products on Western markets. Kautt & Bux regularly used its majority share in Kolektor as collateral in different credit transactions. In the new contract, there was a provision which later became crucial. Kautt & Bux agreed that for any kind of decision, a three-quarters majority of shareholders was required. This was a concession given to Kolektor in order to protect the interests of the Slovenian side.

In the beginning of 1990s, Kautt & Bux was overburdened with debts, lagging behind Kolektor technologically, and losing its competitiveness, and its market share was in decline. In fact, its business performance was completely dependent on the profitability of Kolektor. Kautt & Bux was at the verge of insolvency. Due to the marketing rights which Kautt & Bux held, which meant that it had direct contacts with customers, Kolektor had an interest in helping Kautt & Bux ease its solvency problems. However, in 1994, the efforts to keep

Kautt & Bux afloat proved futile. In fear for its future, Kolektor cancelled the agreement with Kautt & Bux, since Kautt & Bux was not in position to ensure the selling channels anymore. Within the customer's network, Kolektor was already recognized as reliable, innovative, and excellent producer of commutators. Although Kolektor faced initial troubles, it successfully managed to establish direct ties with its customers and build partnerships with them.

Simultaneously with the decline of Kautt & Bux, another process was going on, specifically, the privatization of Kolektor, or to be more precise, the privatization of Kolektor's 49.99 percent share, which was in state/social ownership. By the time of Kautt & Bux's bankruptcy, privatization based on the concept of broad employee co-ownership had started. After a very complicated procedure, two newly stablished companies (FI and FMR), owned by 800 employees with a deciding role in management, privatized the Slovenian part of Kolektor.

After Kautt & Bux declared bankruptcy, there was an offer to the Slovenian side to take over the Kautt & Bux share in Kolektor. At the time, however, the Slovenian side simply did not have enough founds for such a takeover. Finally, Kautt & Bux was taken over by Kirkwood Industries, an American commutator manufacturer, in February 1994. In addition to Kautt & Bux's total assets, Kirkwood also took over slightly more than a 50 percent share in Kolektor. Kirkwood entered the takeover procedure of Kautt & Bux, and Kolektor unprepared. Kirkwood's management expected to gain total control of the company. However, they were soon faced with reality. They found out about the contractual provision concerning the need for the assent of a three-quarters majority of shareholders for the adoption and enforcement of decisions. The bankruptcy administrator in Germany had obviously withheld this important information from Kirkwood.

In the 1990s, when Kirkwood acquired a share in Kolektor, Kolektor became even stronger and more independent. By using modern technology, it substantially increased its production capacity. The volume of production surged by 47 percent in the second half of the 1990s, from 66 million to 107 million commutators. In the same period, the volume of sales was up by 40 percent. The company started to establish commercial branches and production facilities in different countries (Germany, USA, Brazil, Mexico, South Korea, China, and Bosnia). In the end, Kolektor even bought Kautt & Bux.

From the perspective of the day-to-day realities, the story was not so smooth. The Kirkwood era at Kolektor was marked by huge misunderstandings

concerning the future of both companies, since they were also competitors on the most important markets. The Kautt & Bux and Kolektor management were on close and friendly terms. They trusted each other and were partners. In Kolektor's relations with Kirkwood, there was no sign of that spirit. From the outset, Kirkwood tried to subordinate Kolektor and degrade it into being a plain production plant, without any other function. This was completely unacceptable for the Slovenian side. Kirkwood attempted to acquire additional shares in Kolektor, but it failed, and it also underestimated the mutual loyalty in the local environment. After this failure, Kirkwood lost interest in Kolektor and in the European market. They offered Kolektor's owner the option to buy out Kirkwood's share. Slovenian owners agreed. They finished the procedure in 2002. At the same time, Kolektor also purchased the German company Kautt & Bux from Kirkwood and thus completely dominated the European market.[21]

Conclusion

Yugoslavia was the first communist country to allow foreign investments in the form of joint ventures as early as the second half of the 1960s. The decision was made as part of the broad reform efforts of 1965. This was a period when the reformist wing of the LCY was dominant. The decision to allow foreign investments was part of the effort to modernize technology and management in the Yugoslav economy. The aim was to further Yugoslav integration into the global economy and the international division of labor and also to enable its competitive entry into the Western markets. Allegedly, the advantages for foreign enterprises of investing in Yugoslavia were the relatively lower investment costs due to cheaper labor and favorable tax rates, satisfactory infrastructure, proximity to the Western markets, a relatively extensive domestic market, and the possibility of exports to third markets, especially the Eastern Bloc countries. This was a pragmatic approach to making the domestic economy more efficient. However, the representatives of the reformist wing, even before they were removed from their positions at the beginning of the 1970s, had to take into account the political realities and the prevailing ideological orthodoxy. Therefore, the regulation of foreign investment was a compromise between pragmatism and the ideological constraints of the communist regime. For foreign investors, the security of their investments, shares and management of

21 Lazarević, *Kolektor.*

joint ventures, and repatriation of profits were vital considerations. There were no ideological prejudices regarding the security of investments. This interest was recognized by the authorities, but there were greater concerns about the co-management of companies and the repatriation of profits. As of the mid-1970s, ideological restraints were tentatively weakening, and the regulation of foreign investments was gradually removing the constraints imposed by the self-management political and economic system. In the late 1980s, Yugoslavia fully liberalized foreign investment. However, at that time, the country's profound economic and political crisis drastically undermined the efforts to encourage foreign investments in the Yugoslav economy through liberalized regulation.

By 1980, Yugoslavia had managed to attract 200 joint ventures, which meant an average of around 15 foreign investments per year. These investments were rarely extensive, which attests to the caution of foreign investors when it came to joint ventures. 200 foreign investments were not much considering the size of the national economy, but they were a lot for a country with a communist system and regulatory restrictions. Research has shown that foreign investors had no problems with the Yugoslav self-managed corporate structure as long as the local or republic party leadership did not interfere. Investors received half of the management rights, even if they had a smaller share of the capital. Thus, both sides needed to seek consensus to make business decisions. A sort of an informal pattern emerged where the Yugoslav side had more say in setting the employee wages, determining the pricing policy on the domestic market, and focusing on integration into the local environment and relations with the local supplier network. Meanwhile, the foreign partner had a decisive say regarding the technology, the product range, the organization and quality of production, marketing, and sales on the Western markets. Together, they made decisions on recruitment, employee training, and marketing on the domestic market and in other communist countries. The experiences of foreign companies were mostly positive. The self-management of the Yugoslav companies was also not an obstacle. The qualities of the leading operational personnel of both partners were more crucial. The concerns of many investors regarding subordination to the workers' council as the supreme governing body of Yugoslav companies were unfounded. As a survey among foreign investors revealed, the workers' councils in joint ventures were more of an advisory body, while the decisions were made by the joint management board.[22]

22 Artisien, *Joint Ventures in Yugoslav Industry,* 170–73, 188–93.

The volume of foreign investments shows that the expectations of the Communist Party's reform wing were justified and that foreign investment could be an important driving force for swifter economic development and the state's integration into the international economic space.[23] However, the restrictions put in place by the communist regime were severe. The ideological-political, social, and economic dilemmas related to foreign investments are evident from the case study presented here. The example of the Kolektor company shows that pragmatism was also needed by foreign investors and domestic companies in their daily business practices. The case of Kolektor also shows that foreign investment in a self-managed enterprise could be very successful when long-term objectives were given emphasis and there was minimal political interference, as was often the case in Slovenia.

As we have already pointed out, Kolektor was not a typical example, but the question remains as to how much of its long-term success was made possible by the investments made by its West German partner. The success of a company cannot simply be attributed to one or two factors. The answer lies in several arguments and their mutual interaction in a historical time and space. Each company is a specific, unique story. It takes place in a specific social context in combination with several favorable circumstances.

The presence of the foreign partner was no doubt a very important factor in Kolektor's success. It put Kolektor in a specific position and prevented any foreign interference. As for internal relations, here the foreign investor had an important controlling function. Dependence on the foreign markets guaranteed by Kautt & Bux and the ensuing steady incomes were advantages that could not be ignored. The need to adhere to the Western economic standards through Kautt & Bux also had a positive impact on the performance standard of the employees and the leading managers. The foreign partner assured a high level of investment. First, the high investment stemmed from the entry of the foreign partner and the requirements of the Yugoslav legislation, but later, they became a necessity guaranteeing technological progress and growth in the market share. Both sides were aware of this. The level of investments in development (knowledge), technology, and production were constantly high. Kolektor's success was founded on massive cost-competitive production in the constantly expanding electric motors market.

23 Gnjatović, *Uloga inostranih sredstava,* 90–93.

Another important element was the stability of management and teamwork. In the period between 1968 and 1994, there were only two Slovenian directors and one German director. This contributed to the necessary predictability of the management and its approach to the business. Long-term goals had priority over short-term goals. This was respected by the foreign partner. Kolektor was a company which from the outset had a clear strategic orientation and clearly defined, realistic, and measurable goals. The loyalty of employees to the company should also be mentioned. The level of employees' identification with the company was high for a long time. The company tried to understand the employees and their families and help them meet their needs. This has been a constant feature of the company's policy of social responsibility, regardless of which decade of Kolektor's development we are looking at. Social responsibility was a key feature in the concept of Yugoslav enterprise, as other cases clearly show.[24]

Unlike most of the others joint ventures in Yugoslavia, the collaborative undertaking between Kolektor and Kautt & Bux was successful due to pragmatism of the partners, both the foreign and the domestic, and the pragmatism of local authorities, which was very important. Local party and administrative authorities respected the new reality at Kolektor, which was established after the entry of a foreign partner. Primarily, they were interested in economic performance, since Kolektor became an important employer and contributor to the development of the local community.

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BOOK REVIEWS

Hungary and the Hungarians: Western Europe's View in the Middle Ages. By Enikő Csukovits. Viella Historical Research 11. Rome: Viella Libreria Editrice, 2018. 233 pp.

The monograph presented here, published in 2018 by Italian publisher Viella, is the result of many years of research, as the author Enikő Csukovits herself notes. The book, entitled M*agyarországról és a magyarokról: Nyugat-Európa magyar-képe a középkorban*, took its original form in 2013, and it was submitted by Csukovits for her title as Doctor of the Hungarian Academy of Sciences. Two years later, the monograph was published with the support of the Institute of History of the Hungarian Academy of Sciences Research Centre for the Humanities as part of the series entitled *Monuments of Hungarian History. Dissertations*. The committee which read Csukovits's work (referred to as a "large doctoral thesis") in 2013 recommended it for publication in Hungarian and in translation. One of the reasons for this recommendation was to make the monograph, which fills a significant gap in scholarship concerning perceptions of cultural others, available to an international readership. Another was to make it possible to identify and indicate the sources of stereotypes concerning Hungarians which are still alive today. The publication of the work in English translation is thus a welcome contribution to the secondary literature.

Since the 2015 edition was reviewed in 2016 in the third volume of *The Hungarian Historical Review* by Judit Csákó, who summarized its contents, I feel exempt from this obligation. However, it should be noted for the sake of accuracy that I use the term "version" because Csukovits made certain changes to the publication printed in English in comparison to the Hungarian edition. The omission of chapter one, which was dedicated to the ways in which geographical knowledge developed in Medieval Europe, was the most significant of these changes (pp.14–16), though a small fragment of this chapter was integrated into the text of a later part of the English-language edition. Changes related to this were also made in the introduction. In the introduction, Csukovits explains her understanding of the concept of "Western Europe" as a geographical term, not a political term. As Gábor Klaniczay correctly pointed out in the review of the Hungarian-language edition, which was published in the journal *Buksz* in 2016, we do know why Csukovits made no use of source materials of English and

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"Spanish" provenance which have been both touched on and made available in the secondary literature in Hungarian. Perhaps it would have been better to replace this concept of Western Europe with reference to the area affected by the Latin-language cultural circle. This would have broadened the scope of inquiry and would have required more time, because, for example, literary output originating in Scandinavia, the Czech lands, and Poland would also have to have been taken into consideration.

When Csukovits was carrying out the proposed dissertation research with the assistance of the Hungarian Academy of Sciences, the reviewers Edit Madas, Klaniczay, and László Veszprémy suggested sources and publications that she had not yet taken into consideration. They emphasized, however, that she would have to make selections from among the sources and would have to choose the most important sources, which best illustrated the emerging view of Hungary and Hungarian people. On the basis of the overview of the sources offered by Csukovits, one can agree that from time to time an important event made the wider public opinion in Europe pay attention to Hungary. Throughout the Middle Ages, such events included incursions made by pagan Hungarians, the conversion of the Hungarians to Christianity, the Mongol invasion of 1241–1242, and the threat posed to Europe by Ottoman Turks. The source material used by Csukovits was adapted to several common themes, and this certainly influenced its selection. She used the sources which she herself considered most important.

In my view, a certain disparity within the range of source materials can be felt, and the sources from the Árpád Era are treated too selectively and laconically. Despite the situation indicated by Csukovits concerning the recognition, availability, and the status of study of sources, the center of gravity in her discussion visibly moved to the material originating from the fourteenth, fifteenth, and sixteenth centuries, and not only on account of the quantity of sources or their accessibility, but also because of the research undertaken by Csukovits earlier. Csukovits used the listing of source texts published by Albin Ferenc Gombos more than eighty years ago *(Catalogus fontium historiae Hungaricae aevi ducum et regeum ex stirpe Arpad descendentium ab anno Christi DCCC usque ad annum MCCCI)* as a kind of guide to sources about Hungary in the period up to the early fourteenth century and thus corresponding to the Árpád Era. No such list is available for the source material concerning late medieval Hungary. *Catalogus* is a kind of an overview of source texts, and as has been shown by historians in recent decades, it is far from complete. László Veszprémy and Tamás Körmendi, for instance, have pointed out its deficiencies.

Csukovits has successfully taken into consideration the source groundwork without limitations from the perspective of genre, and this constitutes one of the indisputable merits of her work. In addition to historiographical sources, she has also used other sources which have been repeatedly omitted or used at best sporadically, for example descriptions of pilgrimages, travels, reports of legations, monuments of cartography, short stories, and chivalric romances. Csukovits emphasizes that knowledge about the Hungarian people and Hungary had been preserved in different texts, though she stresses that since they were handwritten, these texts were not always available to the persons interested. Csukovits points out that many of the resultant records did not survive, and thus it is difficult to say whether it is possible to obtain comprehensive knowledge about notions prevalent in the Middle Ages as the result of the research she has undertaken. One can also agree with the conclusion that there were no collections in Europe that would have contained the sum of knowledge about Hungary and its residents, to say nothing of sources that would have taken into consideration diverse opinions on the matter. Csukovits also points out that the appellation of Hungary appears in the monuments of medieval cartography more often than designations referring to other countries of Central Eastern Europe. Csukovits offers an appropriate set of 26 maps of the world (pp.70–75, 189–91). The above observation could also be applied to historiographical sources, which can be shown by at least looking through indexes to the publisher *Monumenta Germaniae Historica* series Scriptores, Scriptores rerum Germanicarum.

Csukovits rightly pays attention to the meaning of ethnonyms and terms used in relation to Hungarians, especially in the period before their conversion to Christianity. However, it is possible here to have reservations about the exhaustiveness of her discussion of the exoethnonyms which were used to describe Hungarians in the past. She limits herself to a relatively small group of them: Saracens, Huns, and Avars (pp.18–19), leaving the others unmentioned. Meanwhile, on the basis of the list compiled by Gombos, it is possible to indicate ethnonyms used to describe Hungarians which often are found in sources related to one another by filiation, such as Hagarites, which gains in importance in the context of the opinion of Ekkehart IV of Sankt Gallen, contained in *Events of Sankt Gallen,* who expressed a negative opinion in the matter of identifying Magyars with Hagarites. Among other ethnonyms which were used to describe Hungarians in other sources, and which bore specific associations or contents, the following should be mentioned: Jews, Turks, Massagets, Parthians, Scythians, Slavs, Sarmatians.

In the context of primarily Hun-Hungarian identification, which existence was only signalised by Csukovits (pp.18–19), in our opinion, it is also worth paying attention to accounts included in the explicitly connected texts *Deeds of the bishops of Tongeren, Maastricht and Liège* by Heriger of Lobbes and, based on them *Deeds of the bishops of Liège* by Egidio of Orval which show the overlap of motifs with the account included in the list of monk of St. Germain to Dado, bishop of Verdun from the beginnings of the tenth century regarding famine and the abandonment of dwellings by Huns or Hungarians, while in the background one also overhears the echo of the Latin word "hungry" and the Old High German "hungar."

Csukovits also indicates the meaning of terms used to denote Hungarians before the Hungarians adopted Christianity and later used by participants in the crusades when they met Hungarians, such as pagans, barbarians, uncouth, and cruel (pp.19 and 23). In the context of abovementioned terms, attention should also be paid to the role of term *gens*, which is used in some sources as an exoethnonym of Hungarians, primarily in accounts about the abandonment by the Hungarians of Scythia and incursions at the end of the ninth century and throughout much of the tenth. Attention should also be paid to the role of more complex terms used alongside the ethnonym (*H*)*Ungari*, such as: crueler than all monsters, fiercest, most abominable, dirtiest, most burdensome, strongest, proficient in the use of arms, deceitful, worst, bestial, strong, and hostile to God.

Expressions which were used to designate Hungarians in the sources also constitute a form of information about perceptions of them: unknown, non-mentioned tribe, our former enemies, enemies hitherto unknown to those peoples, or new enemies. Csukovits mentions this problem laconically in relation to the record *Annals of Saint Bertin* (p.17). The account preserved in *The Younger Chronicle of Ebersberg* and the letter of Prince of Austria Albert I Habsburg from 1291 to the bishop of Passau, which traces the Hungarians back to a serpent living in marshes, are not among the sources used by Csukovits.

One might have expected Csukovits to pay attention to the range of influence of individual identifications, motifs, descriptions, and their perceived "popularity" in a monograph which summarizes perceptions of Hungarians and Hungary. As I noted above, she is aware that it is impossible to obtain a comprehensive overview of views on this subject due to the status of the sources. Nevertheless, she should have paid more consistent attention to both the quantity of preserved manuscripts and the ways in which the respective texts were used by later authors. Had she done so, it would have been possible to

obtain at least an approximate view of the popularity and thus influence of given perceptions. One notes a certain inconsistency here. In the case of e.g. *Austrian chronicle of 95 monarchs* (p.37) and the chronicles written by Domenico da Gravina and Giovanni Villani and Matteo Villani (pp.30, 128), Csukovits pays attention to the significance of the number of preserved manuscripts of these chronicles and their popularity. She also notes, in relation to the work *World Chronicle* by Hartmann Schedel, not only its publication in Latin or German but also the number of preserved copies (p.66, footnote 260; p.167). She similarly takes into consideration the manuscript tradition of *Description of Eastern Europe* (p.78) and the chronicles written by Jakob Unrest (p.145, footnotes 114–15).

Csukovits devotes no attention to the so-called manuscript tradition in the case of account preserved in the chronicle by Regino of Prüm (p.18), though it would have sufficed to refer to the study written by Wolf-Rüdiger Schleidgen (*Die Überlieferungsgeschichte der Chronik des Regino von Prüm*, Mainz: Gesellschaft für mittelrheinsiche Kirchengeschichte, 1977). She also gives no consideration to its influence, either direct or indirect, on subsequent historiography, for instance on editions of Hungarian gesta or on *Annals of Metz*, *Chronicle* by Annalista Saxo or the written by Ekkehard of Aura, Otto of Freising, Godfrey of Viterbo, and Martin of Opava, which were widely read in the Middle Ages. In the case of *History of the archbishops of Salona and Split* by Thomas of Split, which she does discuss (pp.52–53), the problem of the manuscript tradition of this work and its influence on subsequent historiography was omitted.

Csukovits emphasizes that the conversion to Christianity by Hungarians had a vital significance in shaping views of Hungarians to the west. She also assigns a vital role to the positive attitude of Hungarians towards pilgrims during the times of King Saint Stephen, and she associates the appearance of mentions with a negative tone, like the visions of pagan Hungarians, preserved in descriptions of crusades with the defense by Hungarians of their belongings against newcomers. She also points out that Hungarians themselves and their rulers shaped their image when they made pilgrimages, waged war, or went on missions to the west.

In this context, her failure to devote attention to the influence of monuments of Hungarian historiography on opinions concerning Hungarians and Hungary in the west leaves the reader with a certain sense of dissatisfaction. She would have done well to have included, alongside her discussion of sources mentioned to point out views emphasizing the affluence of Hungary of the time, to note the reference to the image of Hungary known in the eleventh through fourteenth centuries as *pastures of the Romans*, especially since she attempted also to use

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records of a chorographic and geographic character. This term appears inter alia, as it is believed, in texts related by filiation or resultant, under the influence of Hungarian historiographic records, such as *Hungarian-Polish Chronicle, Verse chronicle of Stična*, and the *History of the Archbishops of Salona and Split* by Thomas of Split. It also appears, as noted by Csukovits, in *Louis VII's Journey of Orient* by Odo of Deuil, where the term *granary of Julius Caesar* is used, and in *Description of Eastern Europe*, but in both cases Csukovits does not note that the terms refer to Hungary (pp.24, 75–82). A panorama of sources which were created outside the area of Hungary, and which describe the land as the *pastures of the Romans* is complemented by the source known as *The Description of Lands*, quite laconically in relation to Hungary but baselessly escaping the notice of Hungarian historians (it has been dated to the years between 1255 and 1257/1260).

In the context of shaping the view of Hungarians and Hungary in the west, the chronicle of the world by Alberich of Troisfontaines was omitted. Alberich of Troisfontaines, it is assumed, gathered information from his Hungarian informants, who knew the Hungarian historiographic records. Csukovits would have done well to have taken into consideration the influence of Hungarian chronicles issued in print at the end of Middle Ages, copies of which found their way to the west as early as the end of the fifteenth century, though this would have required painstaking inquiry. In the case of the first of these works, Andreas Hess' chronicle from 1473, only ten of an estimated print run of 240 are known. The fact that the copies have been preserved to this day in library collections in Western Europe indicates the interest with which they met. Similarly, transcripts of the chronicle issued by Johannes Menestarffer (Wien 1481, issued in print in 1473) have also been preserved in the Archdiocesan Library in Pécs, and the text of Hartmann Schedel's collection is available at the Bavarian State Library. The German translation of Jan Thuróczy's chronicle, which was issued in print in 1488 and was created in Bavaria after 1490, is preserved in the Heidelberg University Library. Each of these items would have been worth including among these kinds of testimonials.

The abovementioned handwritten copies and translations of texts of Hungarian chronicles confirm E. Csukovits's conclusions are based only on works of Henry of Mügeln and Jakob Unrest. All of these texts are a sign of an unabated interest in Hungarians and their country in neighboring Austrian lands or more widely Austrian-Bavarian lands (p.39). As was noted by Veszprémy in his review, the omission of the role of familiarity with *The Deeds of the Hungarians* by Simon of Kéza in the Apennine Peninsula does not allow for a full assessment

of the shaping of views of the Hungarians and Hungary from the end of thirteenth century.

Csukovits should have included in her discussion of monuments of Hungarian historiography that shaped views concerning Hungarians and Hungary the transcripts of handwritten Hungarian chronicles which were either transcribed by authors of foreign origin or were created in the West or found their way there in the Middle Ages.

Csukovits rightly includes *Österreichische Chronik* by Jakob Unrest, parish priest of Sankt Martin am Techelsberg in Carinthia, in sources discussing Hungarians and Hungary. She suggests, however, that, although this is not explicitly shown in the source text, the parish priest from Carinthia compared Turkish and Hungarian incursions into Carinthia from the 1480s with a plague of locusts (p.148). In this context, it is possible to point out that metaphors comparing Hungarians to locusts appear primarily, though not exclusively, in descriptions of Hungarians making incursions into Europe in the first half of tenth century, e.g. in *The Chronicle of the Czechs* by Cosmas of Prague, *The Chronicle or history of the two cities* by Otto of Freising, and *The Chronicle about the Princes of Bavaria* by Andreas of Ratisbon.

The suggestions raised by reviewers notwithstanding, which given the breadth of the research topic and the range of potentially relevant sources, should be considered natural. Csukovits's monograph provides an overview of perceptions concerning Hungarians which covers several centuries and is based on an array of sources diverse in genre and provenance. It also familiarizes the English readership with a research topic undertaken primarily by Hungarian scholars interested in perceptions of Hungarians in distant epochs and provides a foundation for further research, for instance of a comparative character. Csukovits's work also fills at least partly the gap in the research on so-called *origines gentium*. This gap has been felt in part due to the publication by Akademie Verlag of Alheydis Plassmann's *Origo gentis: Identitäts- und Legitimitätsstiftung in früh- und hochmittelalterlichen Herkunftserzählungen* (Orbis mediaevalis. Vostellungswelten des Mittelalters 7, Berlin 2006), in which the question of perceptions concerning Hungarians was not considered at all.

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Esterházy Pál és Esterházy Orsolya levelezése [The correspondence between Pál Esterházy and Orsolya Esterházy]. Edited by Noémi Viskolcz and Edina Zvara. Budapest: MTA KIK–Kossuth Kiadó, 2019. 352 pp.

The work under review is the first in a new series *(Esterhazyana)*, though it is certainly not without precedent. It fits well into the series of works containing the correspondence of prominent couples in the Early Modern era (for instance, the correspondence between Tamás Nádasdy and his wife Orsolya Kanizsai, the correspondence between Pál Nyáry and his wife Kata Várday, and the correspondence between Miklós Esterházy and his wife and the daughter of Kata Várday, Krisztina Nyáry). It also constitutes an important addition to the systematic study and publication of documents concerning the Esterházy family and, in particular, Pál Esterházy. Pál Esterházy's philanthropic and literary activities were thoroughly covered by participants in the 2013 Rebakucs conference, whose presentations were published as a volume of articles two years later. Esterházy's private life, however, has for the most part been considerably less visible to the research community. Notably, this edition, it seems, will not reveal the secret face of Pál Esterházy either, for although it offers a written record of his 30-year marriage, it seems to provide little more than the morsels of two separately lived lives. As the editors note, "the correspondence is an interesting but often one-sided record of a long marriage. Much is left unsaid in the letters, as if they both had other, separate lives" (p.48).

János Hárich, who compiled Pál Esterházy's extensive correspondence and other documents, estimated the total collection of letters to number some 7,000 items, 362 of which belong to the correspondence between Esterházy and his first wife, Orsolya Esterházy. This volume presents this body of documents. The primary materials are preceded by four texts. A foreword by István Monok is followed by the "Introduction and Overview of the Research History" by Noémi Viskolcz. Here, it might have been worthwhile to have offered more detail on the lessons to be drawn from the letters and other issues of interest from the perspectives of culture and cultural history. Viskolcz rightly notes that the letters give one considerably more insight into Orsolya's life, even if she was sometimes terse in her phrasing. Orsolya Esterházy was unable to spell foreign words correctly, and her handwriting suggests lack of regular practice, though it perhaps would be an exaggeration to call it ugly. There was a rapid

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deterioration in the quality of her handwriting in the 1670s, which Viskolcz suggests may have been the consequence of a medical issue, perhaps a trauma. Indeed, Viskolcz convincingly links this decline to certain events mentioned in the family documents. The rules according to which the letters were transcribed are precise and seem to have been consistently observed, but I will discuss this in more detail in the section on questions concerning transcription.

The introduction is followed by a historical overview entitled "Pál Esterházy and Orsolya Esterházy," also by Noémi Viskolcz. After Orsolya Esterházy became an orphan at a relatively young age, the fight for control of her property and wealth, the measures surrounding the papal dispensation, and the secret marriage and resulting family scandal all illustrate that, from the outset, the Esterházy family subordinated everything to its marriage strategy. There was no question of a marriage based on love, and indeed one is hard pressed to discern even a trace of the kind of mutual respect that one finds, for example, in the exchange of letters between Tamás Nádasdy and Orsolya Kanizsai. While the introduction promises a glimpse into the history of a long marriage, the letters bear witness to the way in which Pál and Orsolya lived apart for 30 years. It is perhaps not the job of the people who have assembled this collection of primary source materials to deal with such matters, but anyone who wants to subject this body of documents to a meaningful analysis will have to include other aspects that are essential to the study of women's fates in the seventeenth century. Orsolya very clearly did not learn foreign languages, nor did she move much in society, and the fact that she was often pregnant (she gave birth to at least 17 children) may have been a hindrance, but as the editors of the volume themselves observe, most of the noblewomen of the time were not as drastically cut off from both the culture and society of their time as she was, and it was Pál, her one-time guardian and then husband (who is portrayed as a benevolent man), who may well have been responsible for this. In any case, the question merits more thorough discussion in a comparative framework, if only because the insights thus gained might prompt us to reconsider our image of Pál Esterházy. To give just one example, Pál Esterházy kept admirable control of the family's papers, incomes, and expenditure, and he kept meticulous records of all items (thus offering a veritable treasure trove for historians today). However, this is perhaps only half the story. The portrait of Pál as a skillful organizer with an almost obsessive compulsion to write seems more complex when one considers that the newly widowed Esterházy kept careful records, down to the last penny, of the costs of his wife's funeral without, however, bothering to mention when it was held.

The intricate history of the family is followed by a discussion by Erika Kiss of Orsolya's dowry. The text contains many passages which were cited in the preceding essay, and it might have been preferable for a more cautious editor to have eliminated this redundancy and make the narrative more coherent. That said, Kiss's contribution is a strong piece of writing, clearly linked both to the letters and to the research that has been carried out in recent years to inventory the Esterházy treasures (I am thinking here first and foremost of the 2006 and 2013 exhibitions). This discussion of the fates of the jewelry, the trousseau, and items of clothing offer some context for the letters and also can be compared with and added to the inventories accessible today, first and foremost Pál's inventory list, which was previously thought to be jewelry designs.

Turning to the transcriptions of the various texts, several observations can be made. In accordance with the principles underlying the publication of these kinds of texts, the editors have put together a partially standardized text. While the resulting texts preserve features of the language and spelling of the time, we are nevertheless confronted with texts which have never been seen before and which are difficult to search, since they are not entirely standardized. The data concerning the letters (serial numbers, sender, addressee, date) are given, followed by the texts of the letters themselves, the details of the envelope (or the exterior paper in which the letter was sent) and the autograph, and the precise archival notation used today. The texts are clear and legible, but there are some inconsistencies in the use of an exclamation mark in parentheses ("(!)") to call the reader's attention to particular details. In the case of text written by Orsolya, for instance, the editors have used this to indicate passages in which she confused the vowels "a" and "o," for instance spelling the Hungarian word "szolgálatomat" ("my servant") incorrectly as "szolgálotamat." However, no indication is given to indicate spots in the texts written by Pál in which he made similar mistakes. It might have been preferable simply to have explained these features of the texts in the introduction instead of cluttering the transcriptions with these kinds of markings. The notes of the critical apparatus and the explanatory notes are not separated from each other, but rather are given in footnotes numbered consecutively. Most of the explanatory notes provide useful information, but again it would have been helpful to have paid a bit more attention to consistency and coherence. For instance, at times the editors seem to think they know, in connection with mention of an approaching coronation, which coronation the texts are referring to (p.345), while at other times they do not (p.333). It also might have been preferable to have included a prosopography as an appendix.

Last but not least, the book is a very impressively designed publication and is clearly the result of conscientious, attentive work. It includes an array of lovely illustrations which have been judiciously selected and it has been attractively typeset. It is a work worthy of the Esterházy family and legacy, and it will serve as an immensely useful source for scholars on the era.

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Cameralism and Enlightenment: Happiness, Governance and Reform in Transnational Perspective. Edited by Ere Nokkala and Nicholas B. Miller. With the editorial assistance of Anthony J. La Vopa. New York–London: Routledge, 2020. x+325 pp.

In the past decade, political economy scholarship has paid considerable attention to the intellectual contexts that fundamentally affected the formation of modern economic thinking by the period of the High Enlightenment. In this course, new findings on interstate relations, the transmission and dispersion of economic ideas, and practices on sub-national and supra-national levels led to a reappraisal of the old labels of mercantilism, physiocracy, and cameralism. Especially in case of the latter, the renewed interest in revising the old interpretation raised doubts concerning its simplistic elements, in particular its elusive character and its identification with German economic theory. The ongoing debates on cameralist thought revealed two main sources of these pretensions in historiography created partly by Anglo-French writers on political economy and partly by German economic historians, both of whom labeled cameralism primarily as a German variation of mercantilism.

By deconstructing this old vision, according to which cameralist policy was a coherent, static, and systematic phenomenon, the most recent investigations have detected subversive synergies and sought to inspect cameralist thought as a changing and European subject, all the while bringing the problems of normative political language, existing practices, and disciplinary boundaries to the fore. Reflecting on these issues, the past years witnessed the evolution of two conceptualizations. The most recent development is connected to Martin Seppel and Keith Tribe (*Cameralism in Practice: State Administration and Economy in Early Modern Europe*. Woodbridge–Rochester: The Boydell Press, 2017), which concentrates on the pragmatic side of cameralism, characterizing it as a living and European discourse centered around the local university culture and the coexistence of early modern administration and economy. The other alternative, based on a reevaluation of Johann Heinrich Gottlob von Justi's place in the eighteenth-century world (Ere Nokkala. *From Natural Law to Political Economy: J.H.G. von Justi on State, Commerce and International Order*. Vienna: LIT Verlag, 2019), underlies this collection of studies under discussion, which, as the title indicates, places itself at the borderlands of political economy and Enlightenment studies, while it seeks to shed light on the gains and losses provided by a transnational perspective.

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As for its approach, as the introduction promises, this collection of studies chooses the path of the intellectual history of political economy, and it goes further in the direction of explaining cameralism in terms of political theory. In doing so, the editors of the volume, Ere Nokkala (University of Helsinki) and Nicholas B. Miller (University of Lisbon), stress the key words "porosity" and "blending" as explanatory categories for inspecting cameralism not as a rigid entity, but rather, as they suggest, as an "aspirational practice" and a "lens" through which cameralists were connected to the broader intellectual environment of the eighteenth century (p.16). Exploring the interplays between cameralism and the Enlightenment, the volume strives to draw together the processes of economization and politicization under the so-called "economic turn," discussing both phenomena as starting points for an evolving cameralist agenda across eighteenth-century Europe. As for the other undertakings in the volume, its aim is to dissolve the old categorization in two senses: in reflecting on the generally accepted prejudices and misinterpretations in historiography and in escaping the discussion of cameralism in the conventional framework of the German *Sonderweg* theory (p.3).

The thirteen essays in the volume present the findings of three international workshops organized by the Lichtenberg-Kolleg, The Göttingen Institute for Advanced Study and the Research Network: Cameralism across the World of Enlightenment: Nature, Order, Diversity, Happiness between 2016 and 2017.[1] The studies offer glimpses in three coherent parts into the main intersections where cameralist thought was influenced by other ideas, ideological frameworks, and practices.

The essays in the first part ("Interactions") discuss the interrelations between natural law and political economy from various angles, explaining their significance in developing early practice-oriented cameralism to a theory-based state science, with a special account of economic actors. From the point of view of historiography, Lars Magnusson's criticism targets the reduced scope that drew a close association between cameralist thought and the absolute state. As for the changes in cameralism, he goes on to argue that its transformation into an economy- and natural rights-based discipline was much more influenced by the natural jurisprudence of Christian Thomasius than that of Christian Wolff. This general observation is discussed more thoroughly in Hans Erich Bödeker's essay, in which he pays particular attention to the reconciliation of

1 https://www.uni-goettingen.de/de/cameralism/544617.html. Accessed September 26, 2021.

private interest with the common good argumentation. As it is presented in his study, the combination of the two in the writings of influential cameralists, such as Justi, Sonnenfels, and Daniel Voss can be traced back to personal intentions and dispositions to the application of voluntaristic and paternalistic traditions in natural law. Therefore, the transformation of the concept of happiness, bringing the idea of state tutelage to the fore by the late eighteenth century, was a hesitant and non-simultaneous process, rather than a strictly chronological one. (p.71)

The other two essays in this part seek to find new evidence of the connection between cameralist thought and international relations, especially international trade and politics. Examining Justi's publications, both essays go against the old interpretation that equates cameralism with a reduced interest in political power and domestic administration, arguing that in the context of the Europe of the Seven Years War, cameralists faced the challenge of joining the discussion on the "jealousy of trade." With a focus on the expansion of the cameralist vision to international trade, Ere Nokkala's essay focuses on the ambitious but less successful campaign of Friedrich II between 1750s and 1760s, which aimed at implementing extensive reforms to Prussia's domestic and foreign policies. Justi, as one of the promoters of this campaign, had a substantial role in producing publications in which, using the metaphor of "the man of the world," he described Prussia as a new Athens, whose trading nation lived in a monarchy rather than a republic. This argumentation is approached in Koen Stapelbroek's essay from the angle of translations and intercultural exchanges. Through a multi-contextual analysis (Austrian, Prussian, French, Dutch), the study offers insights into the history of translating Justi's anti-Dutch and anti-republican vision on European interstate relations in the 1770s, when, instigated by the rising economic patriotism after the abolition of the Franco-Dutch commercial treaty, the Dutch republic sought to reconfigure its place among European states.

The essays in the second part ("Widening Perspectives") discuss two classical fields of inquiry, both of which received particular attention in Michel Foucault's writings, too. Focusing on the interculturality of cameralism, Nicolas B. Miller's essay describes the interest in populationism as a distinctive characteristic of cameralistic thinking, making cameralists compatible with eighteenth-century comparative science. Emphasizing Justi's uniqueness among his contemporaries, however, Miller's argument, which links his efforts to draw general conclusions from comparisons of European populations to the political-moral school that used to be associated with Montesquieu and the Scottish moralists, would have merited a broader explanation. The study fails to recognize the other possible

sources of the (German) non-moralizing fashion of comparative political analysis, such as statistics, political geography, natural history, etc. Intellectual kinship is also the central question of Richard Hölzl's essay. In the framework of presentism, he approaches his subject from the angle of the environmental history of ideas and explores the intersection of the three areas demarcated by the Foucauldian ideas of *gouvernementalité* and biopolitics, ecological statehood, and cameralist efficiency. By examining the texts of Justi, Pfeiffer, and Sonnenfels in this context, he comes to recognize three basic segments of ecological statehood (the efficient exploitation and conservation of natural resources and the management of natural hazards) as the constituents of cameralist thought.

The essays in the third section ("Dissemination and Local Mediation") center around the multifaceted problem of cultural translation and dissemination. Concentrating on the intellectual implications, on the one hand, they discuss the influence of cameralism on knowledge production in a specific historical context, but on the other hand, they also shed light on the struggles of interpreting cameralist thought in recent scholarship. As for the political stake of adapting the cameralist framework, the essays by Alexandra Ortolja-Baird, Alexandre Mendes Cunha, Adriana Luna-Fabritius, and Danila E. Raskov seem to agree that, despite the cultural diversities, cultural transmission in the Lombard, Portuguese, Spanish, and Russian surfaced either by domesticating the setting or just some elements of the economic and administrative practice (or discourse) of enlightened reformism, including authors such as Bielefeld, Justi, Sonnenfels, Friedrich II, Beccaria, and Melon. Therefore, processing this intellectual package could yield different results and serve various purposes, from implementing a real practice (Lombardy) to gaining political influence in economic administration and reform (Portugal, Spain) and representing a reformist intention in the tsarist court (Russia).

As for dealing with the conceptual difficulties, all four essays follow different strategies. While Ortolja-Baird investigates the intellectual career of Cesare Beccaria in a classical biographical framework, exploring it from Italian political economy to Austrian cameralist reform, Mendes Cunha and Luna-Fabritius discuss the interactions between their translator protagonists (Rodrigo de Souza Coutinho, Francisco Mariano Nipho, etc.) and the multilayered context in which cultural transmission occurred. In contrast, Raskov's essay seeks to position the accumulation of economic knowledge (including the texts by cameralist authors) beginning after the launch of political instructions by Catherine II (Nakaz) in a holistic framework. Deconstructing the functionality usually attributed to

translations, he argues that the presence of the cameralist spirit in eighteenth-century Russia can be explained by the logic of the "elective affinities," rather than coherent development. From this point of view, Keith Tribe's fair criticism on how to define and investigate cameralist thought ("What is Cameralism?") is especially valuable. Even if his pragmatic definition ("taught practice") seems to contradict the approach followed in this volume. Jonas Gerlings' contribution to Immanuel Kant's account of cameral sciences is the odd one out in this part, as it returns to the issue of intellectual kinship. Kant's affinity with the cameral sciences, misinterpreted by the scholarship, as he argues, cannot be discerned from his philosophical critiques, but from his social status in Königsberg's elite, his lectures given to state officials, and his engagement in promoting luxury.

The volume ends with Anthony J. La Vopa's epilogue, which reposits Peter Gay's account of what the investigation of structures means for scholarship on the intellectual history of the Enlightenment. In his concluding remarks, La Vopa considers the interplay and convergences (or blending) between eighteenth-century political economy and cameralist discourse as a specific compound, characteristic mostly for the formation of cameralist thought. Concerning this general assumption and the volume's pretensions on this issue, two further implications should be noted, both relating to the perspective of the history of science neglected by this volume. First, the essays in the volume bring in a number of examples of the heterogeneity of cameralist discourse. With some exceptions (Stapelbroek, Raskov), however, the references to other fields of knowledge, such as statistics, physiocracy, natural history, etc. are given without much reflection. Even if the editors' argument relies on a comprehensive understanding of porosity and blending, this point would have merited a wider perspective for a comparative analysis of the eighteenth-century disciplinary landscape and knowledge production. This maneuver might have been beneficial, as it could have provided further rhetorical and structural evidence not only concerning the complexity of cameralist discourse, but also concerning the question of why blending and porosity actually occurred in adapting and disseminating cameralist thought.

Second, the essays of the volume focus on explaining cameralist thought in the context of political economy. Although this choice is aligned with the volume's intellectual program, it causes avoidable losses in semantics. The most noticeable example of these simplifications is the inconsistent translation of Justi's practical cameralism ("Polizeiwissenschaft") either as the "science of *Policey*" or as the received anachronisms the "science of police" or "police science"

(widely used only from the mid-nineteenth century onwards). Interestingly, both translations ignore the general meaning of "Polizeiwissenschaft," referred to as a political science ("scientia politica") primarily in the German-speaking world. In conceptual terms, this remained in use even in second half of the eighteenth century, dating back to the dissolution of the early modern Aristotelian political doctrine. Reflecting on the historical background of intellectual exchange between natural jurisprudence and cameralist thought would have proven especially helpful.

All in all, *Cameralism and Enlightenment* is a rich and valuable collection of essays reflecting on thought-provoking ideas, and it provides an impressive account of the intersections between cameralist thought and the Enlightenment movement. With its choice of subject, the book merits scholarly attention, and it offers several fundamental arguments which will hopefully lead to constructive debates in the field. As for the intellectual position of the volume, it seeks to describe its subject as a general European phenomenon, compatible with other eighteenth-century trends in politics and economy. By challenging some of the pretensions of the scholarship, it places itself in an inconvenient position of navigating and mediating between incommensurable traditions of discourse of intellectual history and political economy studies. In doing so, it provides a decentered view on cameralism, primarily based on the European dispersion and dissemination of Justi's account. Therefore, the volume's transnational perspective is rather set on interpreting the implications of Justi's attempts to expand the cameralist scope, rather than on integrating other less-known representatives of cameralism. The other great concern of the volume is that it centers on avoiding the trap of the German *Sonderweg* theory, which is especially welcome and is articulated most clearly in the essays of third section, the greatest achievement of which is that it provides novel approaches to the Mediterranean, Iberian, and Russian perspectives. It is a great loss, however, that following the wide and integrative approach of the workshop papers, other regional histories, such as those of Scandinavia and East-Central Europe, were not included in this volume.

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Roma Voices in History: A Sourcebook; Roma Civic Emancipation in Central, South-Eastern and Eastern Europe from the 19th Century until World War II. Edited by Elena Marushiakova and Vesselin Popov. Leiden: Brill–Ferdinand Schöningh, 2021. 1104 pp. doi: 10.30965/9783657705184

Roma Voices in History is an unprecedented and, therefore, extremely precious publication which will definitely change the paradigms in Romani studies from various points of view by re-writing several stereotypical presumptions, prejudices, historical fake-news, and misunderstandings which have dominated various scientific discourses, including historical, ethnographical, and sociological research. Over the course of the last 30 years, the authors, Elena Marushiakova and Vesselin Popov, both of whom work at the School of History at the University of St. Andrews, have written a great number of books and articles about Roma history with a specific focus on Bulgaria, Central Asia and the Caucasus, and the Ottoman Empire. In the relatively small circle of international scholars in Romani studies, Marushiakova and Popov have a rich scientific oeuvre, both as historians and ethnologists. Marushiakova is also the president of the Gypsy Lore Society, the world's oldest organization of Roma studies, founded in Great Britain in 1888 but located in the USA since 1989. The present sourcebook is the result of an ERC-project entitled *RomaInterbellum: Roma Civic Emancipation Between the Two World Wars,* carried out between 2016 and 2021.

Both the *RomaInterbellum* and *Roma Voices in History* offer a new approach to the study of Roma history in which archival documents prove that the various Roma communities in Europe, instead of being only "passive recipients of policy measures, are also active architects of their own lives (XIX)." This new paradigm, which implies taking a longue durée view of Roma history and suggests that Roma are active subjects and participants in their history and, more concretely, in their political emancipation, complements the existing paradigms about Roma history. As Mátyás Binder notes, referring to the research of Thomas Acton and Pál Nagy, Roma history has either been viewed as a history of struggle and persecution or as the paradigm of changing modes of coexistence (Mátyás Binder, *"A cigányok", vagy a "cigánykérdés" története? Áttekintés a magyarországi cigányok történeti kutatásairól* [2009]). According to other views, Roma have two histories: one that is written from outside (by non-Roma historians) and one that is mostly written by "self-appointed" representatives of a naïve science (Péter Tóth, *A*

magyarországi cigányság története a feudalizmus korában [2006]). Finally, there is a body of widely acknowledged and frequently cited literature which presents Roma as a "people without history" (Katie Trumpener, *The Time of the Gipsies* [1992]), as people who master the "art of not being governed" (James C. Scott, *The Art of Not Being Governed* [2009]), or as a culture based on bricolage and exchange (Judith Okely, *Constructing Culture through Shared Location, Bricolage and Exchange* [2011]). Marushiakova and Popov sharply criticize these approaches and emphasize the existence of historical consciousness among Roma and, therefore, the evidence of Roma history, also accentuating that "how much and what kind of historical sources still remain undiscovered in archives and libraries worldwide and …have not been put into academic circulation, hardly anyone can determine" (p.XX).

Thus, innovative and pioneering approaches lie both in the collection and presentation of the primary sources (roughly 1,000 pages, with the longest sections devoted to Bulgaria, Romania, and the USSR, while Greece, Latvia, and Finland are covered in the shortest ones) and in the surrounding context sketched in the comments following the primary sources, offering an interpretation which, instead of providing simply a "Roma-centric prism," reflects on the Roma emancipatory movements in line with the general historical and social context. This integrative view is also expressed in Marushiakova and Popov's definition of civic emancipation: it is an action for the sake of an equilibrium between the principal dimensions of the Roma presence (community and society), acceptable both for the Roma themselves and for the macro-society. Therefore, according to Marushiakova and Popov, the Roma movement for civic emancipation is a permanent struggle to achieve the equal civic status of the Roma as an ethnic community and as individual citizens with their rights in all fields of social life (political, religious, educational, economic, cultural, etc.). It should be underlined, however, that no other book or previous research on a transnational level has been published about the early stages of Roma emancipation. Normally, research projects and databases deal with the Roma civic movement only after World War II. As Acton observes, for instance, "there were no transnational entities until 1945, only various survival strategies (...) until 1945 Roma politics was based on acceptance of marginalization and submission to the nation-state" (Thomas Acton. Beginnings and Growth of Transnational Movements of Roma to Achieve Civil Rights after the Holocaust). Other scholars, such as Vermeersch, van Baar, and Binder, focus on the post-socialist period and compare the different forms of ethnic mobilization and the Romani movement after 1989.

What texts examine the material of the different Roma movements? Until the publication of this sourcebook, the archival documents that had been collected offered insights into the relationship of the majority society to the Roma minorities (laws, ordonnances, interrogation protocols, the notes of various assemblies and councils the leading figures of which reflect on the "Gypsy question"). This time, it's the voice of Roma actors, mostly reported in materials that have been published for the first time, including many documents which have never been used before for academic purposes. In the first chapter, which illustrates the prelude to the emancipatory movements of the interwar period, presenting materials from the nineteenth century, the reader encounters the first requests from 1865 to establish a separate state (Gypsy Voivodina) and the appearance of the first professional association in 1890 (of Gypsy musicians, also in the Austro-Hungarian Empire). These early examples, which prove that the beginnings of Roma emancipation followed the paths of the regional nation-building processes, are followed by materials collected from eleven different countries, presented first in the original language and then in an English translation and then supplements with comments by experts. Although the name of the commenters is mentioned and they also appear in the acknowledgment section, it would have been preferable to have introduced them very briefly or at least to have indicated their affiliations. Nevertheless, the primary sources and the comments are both exceptionally exciting. They include documents concerning the establishment of religious and educational associations, articles published in different Roma newspapers, and publications by Gypsy activists from the USSR.

As also suggested by the authors, this outstanding sourcebook should be used not only by a limited niche of scholars and Roma activists but also in primary and secondary education. From now on, discussions of nationalistic visions and the formation of civil society during the first half of the twentieth century throughout Europe should be complemented by discussion of these sources and stories, and Roma civic emancipation in the central, southeastern, and eastern regions of Europe should be seen and understood as an integral and inseparable part of the general development of modern nationalism and, therefore, of the entire European historical canon.

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The Lost World of Socialists at Europe's Margins: Imagining Utopia, 1870s–1920s. By Maria Todorova. London: Bloomsbury Academic, 2020. 364 pp.

In some ways (and in her own words) Maria Todorova's book is a culmination of a trajectory which began with another "imagining," that of the Balkans: history as an emancipatory project which problematizes ideology and the erasure of liminal spaces and lives (p.252). The author sets out to recapture the appeal of socialism and its utopia at Europe's margins (for the first, pre-1900 generations of Bulgarian socialists), and she masterfully succeeds. The result is a book which will be of interest not only to scholars on the region or the ideology, but those interested in emotions, utopias, or the creation of the modern political subject.

Todorova concentrates on the period before 1917, a time when the notion of a socialist utopia was up for debate and had not yet found "earthly form." She challenges the dominant narrative of two types of social democracy (a Western and a Russian one), which she suggests constitutes an oversimplification of the ideas circulating at the time, when, despite the supposedly hegemonic ideological power of the Second International, other socialisms could flourish on their own merits. Bulgaria, with the strongest social democratic movement in Eastern Europe during that period, thus offers a perfect example with which to fracture this narrative, which situates socialism within working-class industrial societies or sees its arrival in rural communities as an aberration.

Part I of the book deals explicitly with this typology. It consists of two chapters in which Todorova describes the transfer of ideas into Bulgaria and the ways in which local socialists navigated nationalism in these formative years for the nation-state. As Todorova points out, socialism has almost been erased from the latest global histories, despite being the premier dissident idea of the nineteenth century. The first chapter strongly disproves the notion that Bulgarian socialism was transmitted mainly through Russian ideas and the Russian language, and Todorova masterfully shows the local political conditions which shaped the ideas of Bulgarian socialists. In chapter two, the author takes the Western socialists to task too, uncovering their prejudices against the fate of progressive projects in the Balkans at the time.

In Part II, Todorova concentrates on the creation of these generations of socialists through the use of a database and personal narratives. Nearly 3,500 socialists on whom we have data are tallied, allowing Todorova to show the

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different trajectories that took them into the movement, from education to experiences of poverty. Here, Todorova combines the quantitative with the qualitative in the best way possible, drawing on many life histories to show the various "socialisms" that existed in Bulgaria, from anarchism and Tolstoyesque ideas to the various Marxist trends. The extent to which socialist ideas exerted a powerful influence on almost all key figures in the Bulgarian national revolutionary movement is notable, and this expands the argument beyond the relatively small socialist movement to the larger trends in popular ideas at the time. Chapter five also explicitly deals with the roles of women in the movement, showing convincingly that many women were socialists before they were wives and supported their socialist husbands in both hidden and open ways, helping them serve as leaders of the movement.

In the final part, Todorova zooms in the most, tackling the issue of scalability: are these lives singular or representative of something else? In three wonderful final chapters, she tells the stories of the socialist elder Angelina Boneva, the graphomaniac Todor Tsekov, and the socialist couple Koika Tineva and Nikola Sakarov. Each story brings out a different strand of her wider argument. She considers how personal stories are created and how memoirs and autobiographical tales differ. The socialist subjects here are far from those we know from similar work done on Soviet socialist diaries, for example. There is no overarching model of the "socialist self" to which these Bulgarians cleave, hence Todorova uncovers various strands of self-narration.

As in her previous work, Todorova sheds light on her own intellectual and archival journeys, and this adds another layer to this work. We see her chasing down references in provincial town archives or meditating on the erasure of personal details in diaries by descendants. This has been a noted feature of Todorova's work and helps her craft a narrative which engages the reader on every page. She is attentive not just to the political and intellectual journeys of her protagonists, but also spends plenty of time showing how political the personal really is. Anecdotes abound, from tales of food being sent to Kautsky to glimpses into the love lives of some of the protagonists and touching personal notes, complete with flowers, shared by husbands and wives.

Thus, the arguments that Todorova advances intertwine. She digs up the historical debris of the failed project of socialism, rescuing it both from the Soviet shadow that overdetermined its pre-history and its contemporary losses. Carefully noting the limits of her sources, she nevertheless recaptures a world of human visions and emotions that shaped a utopia that was not yet there

and even after 1917 was contested. Through the personal narratives of various figures, she shows the broader divisions of Bulgarian socialism into Narrows and Broads, their internecine struggles, and the issues at stake. She convincingly shows that these socialist utopias were born out of the peculiar circumstances of post-independence Bulgaria: an imperfect but existing parliamentary democracy with a largely egalitarian social structure and a strong focus on education as cultural capital. These socialists thus constructed politics attuned to the Balkan circumstances, beyond German or Russian patronage. Though their imaginative vision was physically destroyed by the White Terror of 1923–25 and narratively destroyed by the hegemony of orthodox communist historiography after 1944, Todorova implores us nonetheless to take it seriously. Just because something failed doesn't mean it must be excised from history. And if we focus solely on things that did succeed (if the whole history of the vision of a socialist utopia is merely a way to explain the Soviet experiment), we miss things that did in fact happen, for Bulgarian socialism did create its own concepts and lived experience between 1870 and 1920.

Todorova's book is not just a historical tour-de-force, showing how emotions and ideologies continuously shape each other or how individuals form their own subjectivities. It is also not simply a beautiful narrative of extraordinary lives of ordinary people who sought to find their place in life. It can also be read as a call to take early socialism seriously as a project which gave rise to multiple ways of fighting for solidarity and a better world. It is no coincidence, in my view, that the poem "September" by Geo Milev, a Bulgarian socialist who died as a martyr to his cause, is frequently cited. Many people from all walks of life saw something vital in these ideas in Bulgaria and participated wholeheartedly in constructing themselves as participants in this project and the project itself as a unique movement.

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Imagining Bosnian Muslims in Central Europe, Representations, Transfers and Exchanges. Edited by František Šístek. New York–Oxford: Berghahn, 2021. 302 pp.

The present volume is the result of a Czech research project entitled "Central Europe and Balkan Muslims: Relations, Images, Stereotypes," coordinated by Ladislav Hladký and František Šístek. *Imagining Bosnian Muslims in Central Europe* proposes a panorama of the encounters, exchanges, and transfers among the peoples of Central Europe and the Muslims of Bosnia and Herzegovina. The volume devotes attention to the development and transformations of a modern Bosnian Muslim identity on the long term. It investigates the attitudes and policies of Central European societies towards Bosnian Muslims and asks how Central European representations and conceptualizations of Bosnians affected the identity of the latter. Central Europe is understood by the authors in the widest possible sense, which covers the former territories of the Habsburg Monarchy, the Balkans, and Germany. The Balkans and Central Europe are deeply intertwined and overlapping ethnic spaces, and, as František Šístek convincingly argues in the introduction, Croats, Serbs, and Slovenes should be included in discourses on Central Europe even if these peoples are ascribed to other regions as well. The time scope of the volume extends from the early nineteenth century to the twenty-first century, which is necessary if one seeks to offer an analysis of the long-term influences and effects of Bosnian Muslim history concerning identity constructions and representations. A case in point is the effects of the Millet system on religion, nation, and culture. The Millet system not only restrained the formation of national identities in the nineteenth century, which was reinforced by the policies of Béni Kállay (the long-time Habsburg governor of the province) on separating religious communities. It also had a lasting influence on the identity constructions to which Bosnian Muslims turned in the Yugoslav and post-Yugoslav periods (as discussed in the chapter by Božidar Jezernik).

Bosnian Muslim identity has been significantly influenced by the special (ethnic and religious) position of the group in the constantly changing political landscape in the Balkans. The chapter by Charles Sabatos attributed a malleable and weak identity to Bosnian Muslims. For instance, the Croatian writer Vjenceslav Novak regards them as misguided Serbs who have been lost to their community. South Slavic writers would consider their identity as a "temporary

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costume" (p.146) which should be replaced by a different Slavic identity in the long run.

There are no thematic sections or underlying structure in the volume, but some arguments are put forward by several articles and thus are worth discussing in some detail. One of them concerns the special status of Bosnian Islam in the Muslim world. Zora Hesová introduces the concept of secularity, that is "a capacity to exist *qua* religion within a secular context" (p.117). The high level of secularity of Bosnian Muslims is largely thanks to the legacy of Habsburg rule, which established an autonomous Islamic community. Hesová demonstrates how this institution managed to survive until the twenty-first century, for instance, in the very structure of the most recent constitution of the Bosnian Islamic community in 2004. The process of secularization had started in other spheres in the late nineteenth century as well. Concerning the educational system, Oliver Pejić describes how Croatian elementary school textbooks were adapted to the needs of both Christian and Muslim pupils. The deliberate adaptation of textbooks helped replace traditional religious schools with interconfessional state schools and promoted the Westernization and integration of the Bosnian Muslim community in line with the efforts of Habsburg administrators.

The Habsburg experience and the geographical proximity of Bosnian Muslims to Europe significantly impacted Central European attitudes towards the community. These attitudes, like the Bosnian Muslim identity, were malleable and constantly changing. The negative stigmatization of Bosnian Muslims is a recurring phenomenon in Central European societies. The chapter by František Šístek argues that Czech literature and travelogues generally presented a negative image of Bosnian Muslims. The "Turk" (also used as a synonym for Bosnian Muslims) is similarly presented as barbarian and savage during the occupation war. The chapter by Martin Gabriel reveals that Muslim fighters were associated with the Turks and were described as "brute and inhuman" in the Habsburg press. The Turkish reference remained a long-standing stigma for Bosnian Muslims, as illustrated by Marija Mandić, who notes a particular Serbian proverb ("A Turk convert is worse than a Turk") and its uses in public discourse. The proverb was used to repudiate and demonize the Ottoman heritage and stigmatize Slavic Muslims as betrayers of the national body. However, the geographical proximity of Bosnian Muslims and the direct interactions between Bosnian Muslims and Central Europeans resulted in positive attitudes towards Bosnian Muslims in certain contexts. The chapters by Aldina Čemernica and Merima Šehagić give examples of these attitudes: Bosnian Muslims are regarded as secular and white

Europeans, the exemplary representatives of a European Islam. In addition, Bosnian Muslim migrants faced less discrimination and stigmatization (for example in Germany), and they were even regarded as a refugee elite in some countries. This positive view was shaped in part by the aforementioned higher level of secularization among Bosnian Muslims.

As is noted in the closing remarks, the volume does not fully adopt the promised long-term perspective, because the Yugoslav period has attracted much less scholarly attention so far and, as is plainly seen in the time-scope of the present contributions. In the meantime, there has been a growing interest in the history of Bosnia and Herzegovina under Habsburg rule between 1878 and 1918. This finds expression in the plethora of works devoted to the political, cultural, and economic aspects of Habsburg occupation in the provinces and in the creative use and rethinking of now classical approaches like Said's Orientalism and post-colonial theory, which are nicely reinterpreted and rethought in the present contributions. However, the volume does not do justice to representations and transfers in the whole of the Central European region. The interactions among Hungarians and Bosnian Muslims are not addressed in any of the contributions, although the Ottoman Empire and Hungary have had an eventful common history, and Hungary, as an integral part of the Habsburg Monarchy, was actively involved in the occupation and annexation of Bosnia and Herzegovina. A symbolic indication of this neglect is that Francis Joseph is often referred to in the text as "the Kaiser," although Bosnia and Herzegovina was occupied by the whole of the empire and was governed by the common minister of finance (not responsible to and not elected by the Austrian or Hungarian government). In spite of this lacuna, the volume is a welcome addition to the ongoing scholarly debates on the history and present of Bosnia and Herzegovina as part of the Balkans but also as a constitutive element of Central Europe.

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Women and Politics: Nationalism and Femininity in Interwar Hungary. By Balázs Sipos. Trondheim: Trondheim Studies on East European Cultures & Societies, 2019. 163 pp.

The English-language monograph by Balázs Sipos, which focuses on an era of Hungarian women's history on which no comprehensive historical analysis had yet been published, is a long overdue contribution to the secondary literature. Sipos is associate professor and head of the Women's History Research Centre *(Nőtörténeti Kutatóközpont)* at Eötvös Lorand University in Budapest. He is also a widely-published author on Hungarian women's history and media history. His present work is significant in part because, with the notable exceptions of the books and articles by Andrea Pető and Judith Szapor, very few English-language works have been published on the history of women in Hungary in the first half of the twentieth century.

Sipos does not limit his focus to women's history of the interwar period, but examines also the second half of the Dualist Era and World War I. Given his methodological background in media history and his exhaustive analysis of the periodization of women's history in the nineteenth and twentieth centuries, he is able to discuss long-term changes and place his arguments in a wider context. He sets out to offer a combination of political, media, and cultural history by treating these fields of inquiry as an organic whole, an aspiration which he admirably achieves with this book.

Sipos has studied almost every aspect of women's lives and the ways in which their lives were affected by dramatically shifting attitudes towards female emancipation. He argues that the media "created and transmitted an ideology of […] emancipation encouraging women to be prepared for independent life" (p.6), not only before 1918 but also throughout the Horthy era. To support his hypothesis, he draws on contemporary Hungarian periodicals, women's magazines, literary pieces, lexicons, and products of the Western media, such as movies and novels.

After providing a general political, economic, and social overview of the era, Sipos highlights the most important milestones in Hungarian women's emancipation between 1867 and 1939 by examining different trends in women's movements and organizational culture. These details are essential, as they enable him to introduce his highly innovative viewpoints related to the periodization of women's history in nineteenth-century and twentieth-century Hungary. Sipos

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breaks away from the traditional models and argues that, "rather than deactivating feminism, the war generated new problems and complicated old ones" (p.24). Furthermore, he proposes that it is high time to reevaluate women's history in the interwar period, an opinion I fully share. In the seven chapters of the book, Sipos demonstrates several times that the whole era (not only the decades before 1918) were characterized by growing engagement in public affairs by women. The most important factor in this field was that women continuously tried to adjust to newly-emerging challenges, and alongside new participants, new consensuses also appeared on the scene.

Sipos insists that the interwar period was not characterized by "feminine passivity" (p.25), because women remained active in the public sphere in the 1920 and 1930s. He thus challenges the traditional periodization of women's history regarding the 19th and 20th centuries and offers a perspective which is entirely new to the secondary literature. Sipos claims that the first period of women's history lasted from the 1860s (not from 1867) until the turn of the century. The second one, he suggests, began around 1900 and lasted until the years following the Second World War. He justifies his argument with several sociocultural reasons, including the development of different branches of women's organizations and the extension of the institutional frameworks of women's institutional education. Within this second period, he distinguishes "three temporary 'subperiods'" (p.45), namely the period between 1914 and 1922, the years of the Great Depression (1929–1934), and the "period of anti-Semitic measures taken during the Second World War" (p.45). This approach is highly innovative, although it might have been useful to supplement it with a further a "subperiod" between 1900/1904–1913/1914, as several turning points in the women's movement came during this period of roughly 15 years.

In Chapters 3–7, Sipos analyses the extent to which anti-feminist and anti-emancipation policies can be said to have influenced the situation of women between the two World Wars. In his assessment, this is or more precisely should be the central question of interwar women's history in Hungary. In the third chapter, he studies the role and significance of World War I in the alternation of women's political, economic, and social positions. In Chapter 4, he examines interpretations of the notion of the "modern" women, women's issues, and feminism in the contemporary Hungarian media. He also considers the neo-Biedermeier portrayal and those women who stayed at home. The end of this section gives important data on women's employment as well. After examining the different types of discourse about and for women in the periodical press,

Sipos studies the transnational female role models (i.e., the Flapper and the Garçonne), the images and interpretations of which influenced Hungarian public opinion. In the last section, he gives an overview on how contemporary Hungarian movies approached and displayed female roles.

Sipos works with a significant source base and uses altogether 19 contemporary Hungarian periodicals, of which he discusses two in greater detail (*A Magyar Asszony* [The Hungarian Woman], which was the official organ of the National Association of Hungarian Women *(Magyar Asszonyok Nemzeti Szövetsége)*, and *Új Idők* [New Times], edited by Ferenc Herczeg) (pp.91–111). He also relies on *Ius Suffragii*, the official organ of the International Woman Suffrage Alliance (later renamed the International Alliance of Women), which is an almost inexhaustible source on the women's movement before 1924. Among these periodicals, the reader might miss the more in-depth analysis of the official organ of the Feminists' Association *(Feministák Egyesülete)*. Naturally, Sipos notes that the Feminists' Association weakened considerably after the regime changes of 1918–1919, but the publication of *A Nő. Feminista Folyóirat* [The Woman: A Feminist Periodical] continued until 1927/1928. Although it was unable to regain its former positions, its number of members, and the number of readers of its periodical within the framework of the "new women's movement" of the Horthy era, the Feminists' Association succeeded in redefining itself and its goals in the early 1920s. That meant, however, that within a narrower framework than before, it could operate until its ban in 1942 and then between 1946 and 1949. With regards to the organizations, it is perhaps unfortunate that their names are only given in English translation, with no mention of their original Hungarian names.

The volume is rich in citations from the sources and also in interesting statistical data and illustrations. Sipos primarily addresses fellow scholars, but his book will still capture the interest of a readership curious to know more about the history of the interwar period. Most importantly, Sipos's monograph will do a great deal to further the integration of scholarship on women's history in Hungary into the international body of secondary literature, which today is perhaps more important than it has ever been.

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"Glaube an den Menschen" [Faith in humanity: A diary from Bergen-Belsen]. By Jenő Kolb. Edited by Thomas Rahe and Lajos Fischer. Translated from the Hungarian by Lajos Fischer. Bergen-Belsen – Berichte und Zeugnisse 7. Göttingen: Wallstein Verlag, 2019. 280 pp.

"Hit az emberben". Bergen-belseni napló. [Faith in humanity. A diary from Bergen-Belsen]. By Jenő Kolb. Edited by Thomas Rahe and Lajos Fischer. Bergen-Belsen – Berichte und Zeugnisse 8. Göttingen: Wallstein Verlag, 2020. 280 pp.

In recent years, there has been considerable interest among historians in diaries related to the Holocaust. This is part of a paradigm shift in the secondary literature on the Holocaust, which has come to focus more on family sources, mostly ego-documents. Nonetheless, historians (Hungarian historians in particular) only rarely make use of contemporary personal materials (such as diaries, correspondence, and photographs) as sources on modern history which are as relevant as archival documents.

One of the highly disputed chapters of the Shoah is the history of the so called Kasztner train. Rezső Kasztner (also went by the name Rudolf Kasztner and Israel Kasztner) worked as the deputy chairman of the Zionist Aid and Rescue Committee (Vaada) in Budapest. In 1944, as a result of his negotiations with Kurt Becher and Adolf Eichmann, he was able to organize the escape of more than 1,500 Hungarian Jews to Switzerland for a huge amount of money, which was transferred to the SS. This rescue action was part of Himmler's big "exchange plan" formed with the Allies, for which Bergen-Belsen had formed by the SS back in 1943.

The personal sources related to the Kasztner passengers have peculiar significance. Jenő Kolb and his daughter managed to get on the Kasztner train. Kolb was born in Sopron in 1898 to a secular middle-class Jewish family. He studied art history in Austria and Germany, and in the 1920s, he became a member of the prominent Jewish liberal intellectual circles of Budapest as a lecturer and journalist. In the early 1930s, Kolb turned to Marxist-Socialist-Zionist ideas, and by the end of the decade, he had become a leading figure in the Hasomer Hacair movement. He kept a diary from the moment of his deportation from Budapest (June 30, 1944), throughout his time in Bergen-Belsen (July 9–December 4, 1944), and after his successful escape and his first days of

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freedom in Switzerland (December 6–12, 1944). His work was not unknown to historians. The original handwritten Hungarian text was donated to the Yad Vashem by his daughter, Shosana Hasson-Kolb, and preserved by the Jerusalem-based Institute and Archive from the late 1950s, but it was essentially forgotten until 2000, when the Bergen-Belsen Memorial *(Gedenkstätte Bergen-Belsen)* decided to publish it. While this German-language edition met the scholarly expectations of its time, there have been many new research findings since then, so this new edition, complete with commentaries and notes, is a welcome publication. It is unique in part because of the publisher's aim to reach both an international readership and the Hungarian readership. In order to attain this goal, Wallstein Verlag published Kolb's diary almost simultaneously with the very same editorial contributions in 2019 and 2020, first in German and then in Hungarian.

The volume is divided into two major parts. In the first, the editors (Lajos Fischer and Thomas Rahe) explain the circumstances surrounding the publication of the new editions. Rahe also offers an epic study on the connection between Jenő Kolb's diary and the fates of the passengers on the Kasztner train in the concentration camp. This ambitious summary focuses on almost every aspect of the Kasztner story, giving a remarkable historical framework to the diary based on current research findings and sources which have been methodically interpreted. Rahe analyzes the societal components, including the number of the passengers, concluding that it may have been 1,684, though no one has conclusively determined the exact number of passengers so far. Rahe also analyzes the nationalities, religious distribution, and ages of the Kasztner group in Belsen, demonstrating (based on his own research) that 1,179 passengers (71 percent) seem to have been Hungarian, while the rest were Romanian, Yugoslavian, Czechoslovakian, and Polish Jews. They were mostly middle-aged Jews, frequently Zionists, with a significant number of East-Hungarian Orthodox Jewry and "Neolog" inhabitants from Budapest. It is worth noting that the significant proportion of elderly people (8.5 percent) was the second largest ratio of old inmates in the concentration camp world (after Theresienstadt). Rahe then demonstrates how the heterogeneity of these factors contributed to the heterogeneity of the group as a whole, which led to several inner problems during the process of deportation from Budapest, problems which mostly came to the surface in the *Aufenthaltslager* of Belsen. The second part of the study reflects on the most essential questions of the daily lives of the prisoners inside the camp. They were "prominent Jews" as part of the "exchange program," so they were treated differently by the SS and were

held in a separate sector *(Sonderlager*, later referred to as the *Ungarnlager)* of the exchange camp area. Rahe's examination offers a portrait of a comparatively multi-ethnic, privileged group of Jews from the Carpathian Basin who were hoping to be spared. He examines the children's schooling, the surprisingly diverse array of cultural activities in the barracks, the religious customs and activities of the prisoners, and other instances and forms of self-organization among them. The last section of the study is about the diaries which were kept by the inmates in Bergen-Belsen, regardless of how they arrived in the camp or which part of the camp they were held in. Rahe mentions 30 diaries, though he does not include in his discussion all of the Hungarian diaries documented in the secondary literature in Hungarian.

Rahe's discussion is followed by a short study by Szabolcs Szita concerning some of the details of the Kasztner train. Surprisingly, Szita did not use the most relevant and current bibliography for his work, so his remarks add little new information to our knowledge of Kolb's diary. In contrast, the personal accounts by Kolb's daughter Shoshana Hasson-Kolb give intimate details about her father's life before and after deportation, highlighting his activity in the Hasomer Hacair's movement.

The second, largest part of the volume is the diary itself. The text suggests that, as an influential and agile intellectual, Kolb played a key role in the Ungarnlager. He was responsible for Zionist cultural activities, and he established a choir and held lectures on music and art history in the group's accommodations in the 10–11. barracks. Kolb write log entries every day or at least every other day, which is why his diary is the richest and most extensive of the diaries from this "prominent group." These informative entries present the history of the Kasztner train, from the detention camp in Budapest, the boarding of the train at the Rákosrendező railway station, and the long journey from the Hungarian capital to Bergen-Belsen and then to Switzerland. The longest and most detailed entries were written while Kolb was in the concentration camp. Many entries are about his beloved homeland and his anxieties concerning the fates of his relatives and friends. Other entries offer an impression of everyday problems within the barrack, including the constant sense of fear, insecurity, hunger, and the lack of information. Kolb also provides a great deal of information about the distinctive personalities of some of the inmates and, in particular, the cooperation among the rival Hungarian groups, especially between the orthodox and the Haluc youngsters. He was obviously prejudiced because of his attachment to the Zionist movement, but the editors offer more than 270

footnotes to explain his biased comments or they call the reader's attention to the current historical bibliography. In some cases, it might have been preferable had Rahe and Fischer resolved some of the issues that arise because of the old-fashioned foreign phrases in the diary entries. They include two additions which offer nice supplements to the diary. Kolb felt that he and the other inmates were the inhabitants of a kind of closed small town in the middle of the horrific concentration camp. He often wrote about the different levels of the self-organization system of the Ungarnlager under SS control, from its leadership to the everyday mechanisms of different subdepartments. The editors have included official Operation Rules of the Ungarnlager as an annex, which provides useful context for the diary entries, and they have also included short biographies of all the individuals mentioned in the pages of the diary, plus a useful glossary on the most common Hebrew words found in the entries.

This publication of Jenő Kolb's entire diary with the accompanying editorial materials constitutes a serious contribution to the social history of the Hungarian Holocaust and our understanding of the complex realities of the Nazi concentration camps.

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The Legacy of Division: East and West after 1989. Edited by Ferenc Laczó and Luka Lisjak Gabrijelčič. Budapest–New York: Central European University Press, 2020. 344 pp.

> "By believing passionately in something that still does not exist, we create it. The nonexistent is whatever we have not sufficiently desired."
>
> — Franz Kafka

The Legacy of Division: East and West after 1989 is a rich, multifaceted volume consisting of 24 essays and two interviews. It reflects the complexity of post-communist Eastern Europe, its 30 years on the path to democracy, and the turbulent present. The book exposes the many prevailing clichés and stereotypes held by those in the West and the East about themselves, each other, what happened since 1989, whose "fault" it was, and how we ended up where we are today, at a moment which feels like an inflection point.

It is impossible to summarize all 24 essays here, as the editors went for breadth and gave authors significant creative freedom. Instead, I have two goals in this review. First, I will highlight a few points made by several of the authors. Second, I will offer a way to move beyond the East-West paradigm by inviting the reader to abandon the exhausted labels of "East" and "West" and focusing instead on conceptually capturing the democratic decline worldwide.

What are the East and the West? The East is loosely defined as a set of countries that spent more than half of the twentieth century behind the Iron Curtain. What is the West? Liberal democracies? The US and the countries of the EU? The only shared understanding about the West, as the reader can guess, is that the West is not the East. This is because both the East and the West are artificial constructs, as is the division which separates them. They are oversimplifications or shortcuts which simplify complex realities which are difficult to grasp by those who live them, study them, or gaze at them.

The opening essay by Dorothee Bohle and Bela Gretskovits is an intellectual tour de force of the past 30 years through the lens of political economy. The authors, eminent scholars of Eastern Europe, highlight three popular misperceptions concerning the construction of capitalism on the European periphery, the mixed blessing of free movement of capital and labor in the EU, and the power of the EU to oppose illiberal tendencies in its (Eastern) member states. I will focus on the first of these, (the construction of) capitalism

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on the periphery. Here, the consequence is perhaps best exemplified by the recent transfer of German Amazon to the Czech borderland. Amazon, a global company, does not serve Czech customers. It does not ship to the Czech Republic. Instead, Czech workers prepare packages for German customers. For Amazon, the Czech Republic is a place on the periphery of the Western market, with cheaper labor, more docile workers, and less strict labor regulations. The East is a reservoir of cheap and conveniently located labor.

The essay by Bohle and Greskovits connects thematically with those by Phillip Ther and Claus Leggewie, which focus on German unification. In a way, the transformation of East Germany is a paradigmatic case. Best described as "shock therapy," the measures that were introduced in the wake of unification changed everything in a short period of time, both in political and economic terms. The East Germans were told to change but also periodically reminded that their past had permanently damaged them. Failure to adapt was used to stigmatize. Critics were ostracized. The "inferiority" of East Germans was used to justify what was done to them, and the wild capitalism in East Germany benefited few. The approach was replicated with minor alterations across the region by powers domestic and foreign. The political consequences of this approach are gradually emerging now, two of which are the revolt of (some) East Germans and East Europeans against "colonization" by the West. Everything was supposed to be better in the West until it was not (for most).

The chasm between expectations and reality led to the rise of protest movements and increasing support for the different types of radical right. People might not have known what they wanted, but they increasingly came to reject what they had gotten. As Claus Leggewie highlights, the East might be showing the West a glimpse of its future, a society in which "losers" revolt. The winners took it all. Those "left behind," a significant part of society, are alienated. Caught in the second-class citizenship of an increasingly contracting welfare state, they seek refuge in nativism.

Jan Zielonka argues that these processes are not unique to the East. According to Zielonka, both the East and the West are stereotypes the roots of which admittedly lie in some historical reality, but as stereotypes they are nonetheless counterproductive, as they thwart systematic studies of change. Over-generalization and under-conceptualization prevent us from seeing both the differences and similarities across the East and West. Old labels such as "post-communism" have exhausted their explanatory power. A variety of regimes emerged after communism, so there is no singular post-communism. Perhaps

we ought to focus on historical legacies, elite choices, institutional variations, and the differences in active citizenship (the ability of citizens to play active parts in the democratic processes) at the ballot box and in the streets if necessary.

Contrary to Zielonka, Ivan Krastev, in a book with Stephen Holmes, *The Light that Failed* (2019), sees the East European development after 1989 as an imitation of the West.[2] In the book and in an interview (which is a part of the book under review), Krastev sees democracy in the East as a copy or an imitation of a victorious Cold War paradigm, which resulted in resentment of the elites who were behind the process of imitation and of the original which was being admitted. However, to explain the illiberal turn as a revolt against liberalism, Krastev and Holmes under-conceptualize liberalism. Beyond a set of values and norms, liberalism has a significant economic dimension. The rise of populism has some autocratic roots, but it is mainly a backlash against the transition-era neoliberalism.[3] Perhaps the light did not go off. Rather, it was turned off by the elite presiding over the economic transformation.

This legacy of the era is low wages and poverty for significant parts of the population, and all hiding in plain sight behind macroeconomic indicators, such as GDP growth and low unemployment, not to mention the facades of palaces built by the Eastern European oligarchs. Economic deprivation among parts of the Eastern population, more than political "illiberalism," shapes negative attitudes to migration and refugees. Inward migration benefits Western companies by keeping labor available and labor costs low. By opposing immigration and globalization, Eastern European workers are defending their economic interests.[4]

Westward migration is often the only option to escape local deprivation. The price is a brain drain of skilled professionals and poor working conditions for seasonal workers. The primary cause of the demographic "crisis" is not mass westward migration (with some key exceptions such as Bulgaria and perhaps to a lesser degree Poland), but the economic circumstances of young families and the lack of a balance between work and life.[5]

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2 Ivan Krastev and Stephen Holmes, *The light that failed: A reckoning* (London: Penguin, 2019).

3 Eszter Kovats and Katerina Smejkalova, "East-Central Europe's Revolt against Imitation," *IPS Journal* March 30, 2020, https://www.ips-journal.eu/regions/europe/east-central-europes-revolt-against-imitation-4205/.

4 Pavol Baboš, "Globalization and Support for Democracy in Post-Communist Europe," *Acta Slavica Iaponica* 39 (2018): 23–43.

5 Nancy C. Jurik, Alena Křížková, Marie Pospíšilová, and Gray Cavender, "Blending, credit, context: Doing business, family and gender in Czech and US copreneurships," *International Small Business Journal* 37, no. 4 (2019): 317–42, doi: 10.1177/0266242618825260.

As the chapter by Bohle and Greskovits shows, the East is a reservoir of cheap labor, and the attempt to escape late capitalism incentivizes some to embrace illiberal populism and its promise of welfare chauvinism. Not only are these processes similar across the East (from East Germany through Poland to Hungary and beyond), but increasingly similar revolts can be seen across the West. There are differences in intensity and the casts of characters, but an increasingly sizable portion of European society is blaming liberal democracy for its failure to tame economic liberalism in the era of globalization.[6]

The one common aspect over the last decade across the region and the world is the decline in democratic quality. In terms of democracy, defined as a regime resting on pluralistic democratic institutions (a free press, civil society, and the rule of law), the East today is a set of countries with democracies in consolidation, defective democracies, hybrid regimes, and moderate and hardline autocracies. In terms of economy defined as a free market economy, one finds in the East highly advanced, advanced, limited, very limited, and rudimentary capitalist economies. There is extreme variation across the region both in terms of democracy and in terms of economy.[7]

There is little agreement on the symptoms, causes, effects, and trajectory of the ongoing change (or decline) in the quality of democracy in Eastern Europe and around the world in the secondary literature. A growing body of literature focuses on the recent changes, which are labeled backsliding, illiberal drift, deconsolidation, and swerving.[8]

One possible cause of democratic decline is the legitimation crisis triggered by the economic crisis. Habermas outlined a "chain reaction" from economic crisis to a crisis of democratic legitimacy.[9] An economic crisis (a periodical event inherent to capitalism), triggers a governance crisis. The governance crisis (the inability of governments to cope with the economic crisis) triggers a legitimation crisis. A legitimation crisis is marked by a loss of trust in democratic institutions and a loss of support for democracy as a system of governance

6 Cf. Kovats and Smejkalova, "East-Central Europe's Revolt"; Baboš, "Globalization."

7 Petra Guasti, "Democracy under Stress: Changing Perspectives on Democracy, Governance and Their Measurement," in *Democracy under Stress: Changing Perspectives on Democracy, Governance, and Their Measurement*, ed. Petra Guasti, Zdenka Mansfeldova, (Prague: ISASCR, 2018), 9–27.

8 For the discussion, see Lenka Bustikova and Petra Guasti, "The Illiberal Turn or Swerve in Central Europe?" *Politics and Governance* 5, no. 4 (2017): 166–76, doi: 10.17645/pag.v5i4.1156.

9 Jürgen Habermas, "What does a crisis mean today? Legitimation problems in late capitalism," *Social Research* 40, no. 4 (1973): 643–67.

by citizens. Alongside economic crisis, external shocks which can trigger the crisis of democratic legitimacy can include globalization, deepening regional integration, and immigration, framed by anti-establishment elites as threats to national sovereignty.[10]

Democratic decline is not unique to the East. It can be observed all over the world. The symptoms include declining trust in democratic institutions, emboldened uncivil society, increased political control of the media, civic apathy, and nationalistic contestation. It is based on the notion of an *illiberal turn* from liberalism and pluralism.[11] The critique of the backsliding/illiberal turn paradigm focuses on its underlining presumption of a more or less linear trajectory and a consolidated democratic system from which recent events are seen as a reverse, a lack of analytical distinction and precision of the loci of democratic decline (demand or supply-side), the resilience of democracy, and the counterbalance between strength and weaknesses on different levels of consolidation.[12]

If one cannot "lose what one never had," what is going on in the East and the West? Bustikova and Guasti (2017) proposed a novel model of change characterized by a sequence of "episodes," some of which can be characterized as an *illiberal swerve*.[13] The notion of volatile episodes does not follow any distinct, coherent long-durée trajectory. It enables Bustikova and Guasti to investigate "the limits of path dependence and consider the possibility of an inherently uncertain path". The use of a microscopic approach which focuses on smaller temporal sequences marked by elections or other clearly defined temporal sequences rather than on tectonic shifts in regimes provides valuable insights into the dynamic character of democratic quality and sharpens the analytical lens on recent developments in the East and the West. Perhaps it is a time to bridge the East-West divide by focusing our research on similarities rather than overemphasizing differences and oversimplifying their causes.

Some books answer questions, and some books inspire readers to ask more questions. *The Legacy of Division: East and West after 1989* belongs to the latter group. In an essayistic way, it invites a broad audience to consider questions of the present and the past. Readers might include scholars, students, and journalists, but thanks to the essayistic style, any member of the broader public interested in

10 Guasti, "Democracy under Stress."

11 Bustikova and Guasti, "The Illiberal Turn."

12 Guasti, "Democracy under Stress."

13 Bustikova and Guasti, "The Illiberal Turn."

understanding the varied nature and legacies of the East-West divisions will find the book engaging. The future is open, and our thinking about it is richer thanks to *The Legacy of Division: East and West after 1989*.

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The

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The

Hungarian Historical Review

Socialist Corporation, 1945–1991

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