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Hungary's capitalist needs

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BUDAPEST One of the surface inconsistencies of detente is the eagerness of the Communists to draw closer to capitalist economies which they regard as doomed by their own shortcomings.

Hungary is busily emulating Moscow's scramble to attain economic intimacy with the West, particularly the United States. The government is negotiating the liquidation of its pre-war obligations to American citizens in order to qualify for access to American loans as well as for membership in the World Bank and the International Monetary Fund.

Fears of contracting capitalism's fatal virus are not deterring the commissars' reach for joint ventures with American corporations. They rationalize out loud that corporations and capitalism are no longer as vulnerable as Karl Marx perceived them to be because everything in the West is being increasingly subordinated to the state and to social concerns. You are coming in our direction, they say, so you may be saved.

The real reason they are knocking on the door is that they have real problems and need help. They seek guidance in technology and marketing as well as capital. They are buying more than they sell in the West while their own enterprises pile up inventories for which there is no market. Now they want to strengthen the industries which have an export potential, but their plans are blocked by a lack of capital.

The pinch is obliging the government to rescind some of the reforms that were introduced in 1968. The idea then was to let the enterprise managers have far greater say in production schedules and marketing plans. But the austerity means that the enterprises can no longer be left to set their own wage scales and expansion plans without creating problems for the general economy.

One Marxist dilemma arises from the necessity to put social concerns ahead of steps to achieve efficient production. One recent edict declared: "The close connection between wage increases and profit must be weakened because it is disadvantageous to workers in large enterprises. They are engaged in heavy industry in which profit increases at a slower rate than average. This can lead to wage tensions."

The state's tight control of prices can delay the impact of inflation, but as the prices of imports rise, the state needs to subsidize the domestic prices if they are to stay level. This creates a growing burden for the state and an irrational price structure. As the distortions mount, the local economists concede their doubts that the workers gain from having their government repress inflation. In announcing recent price rises, the party leader, Janos Kadar, risked a small joke. "We hope," he said, "that nothing will go up 56 per cent."

Communist dogma also hampers the capitalist instincts without which Hungarians would be less well-fed, less healthy and less happy. The regime finds it crucial to tolerate the self-seeking exertions of some 11,000 small enterprises and some 4 million farmers who work private plots. The latter send to market some 20 per cent of the agricultural production. Similarly, doctors stretch themselves to meet the needs by practicing for private fees after hours.

But this private activity takes place under the wary eye of Communist officials whose taxes and harassments are persuading the younger generation that the future does not lie in entrepreneurial zeal. Many feel tempted to pull back from unappreciated extra activity.

"Why should I continue to live with the smell of pigs?" asks the farmer. But if he and his counterparts leave all livestock production to the state, the national larder will be seriously diminished.

The system is working well enough to be impressive in Hungary. It has produced the first blush of affluence, but it has certainly not kept pace with neighboring Austria. Enough problems have accumulated to discourage any disposition to pretend that the next phase of development can be accomplished without capitalist help

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