

# Reconstruction in Eastern Europe

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„The way to what is right is hard and it  
often passes through the territory of errors.”

**D. Davies**

***Abstract.** This present paper analyzes the evolution of the USSR as well as that of Eastern and Central European countries, which were under Soviet influence, after the Yalta and Tehran agreements, between 1944 and 1960 (1962). What were the transformations that occurred in those states, why and how? What were the outcomes? What were the perspectives? These are essential questions which we intended to answer.*

**Key words:** Yalta and Tehran agreements; economic transformations in eastern countries; reconstruction.

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“Exhausted but triumphant, the Soviet Union was no doubt placed second among the world powers during “the evening of the war”. It was on the West and on the East that the collapse of Germany and Japan ensured their direct or indirect continental enlargement, a field of action that was much more unlimited as its political and ideological options so discussed as they had been in the capitalist countries, seemed to have been well justified with the victory of 1945.

As a matter of fact, such an enlargement, soon blacked at the level of the “Iron Curtain” by the American involvement will find its own limits in itself when it will bring a new rival for the Soviet Union: “Popular China”. The latter’s pretensions to represent the Marxist-Leninist orthodoxy will turn the monolithic communist world of that time a two headed image”... This is how Pierre Thibant begins in “Le temps de la contestation” the chapter about the communist world, better said a world that is mostly identified in the East and Central Europe.

From the perspective of the work requested and of other economic histories, including the volume of the undersigned “Economic history – the history of the national economy”, from the perspective of some substantial studies and articles presented mostly at International Congresses of Economic History in Milan (1994), Madrid (1998), Buenos Aires (2002), Helsinki (2006), here are some would be coordinates of this world.

Therefore during 1948-1953, marked by the “Cold War”, two fundamental objectives were ahead the Soviet Union. On one side, the fast end of reconstruction in order to compete as soon as possible the USA both on an economic plan and in a military domain.

And on the other hand, without tracing a frontier between these objectives, consolidating into pheriferic states what we called “popular democracies”.

Those systems that made import communism fragile but whose anchorage in socialism “à la soviétique” represented a secure pledge for present time, and for future the promise that the world revolution always promised but never accomplished after 1917 was not a futile hope.

But what happened in the USSR? The large extent, here, of both human and material losses between 1941-1945 points out the huge dimensions of the proposed objectives mentioned. Let us only note that more than 10% of the soviet population vanished during combat, and still others from various other reasons: hunger, starvation, cold, plagues, diseases, etc. Let us also show that at least 50% of the real-estate patrimony, 70% of the industrial plants and 60 % of the transport outfits and vehicles have been destroyed. That, at the same time, the essential of the agriculture equipment was also ‘finished’, that two thirds of the arable soil was unusable, that the cattle, sheep , swine herds, lost between 30% - 70% of their numbers and even more. Fair enough, at a certain attenuation of the diminishing of the living standard which followed these destructions, contributed, in a smaller extent, the peasants in the regions not invaded by the German forces, as well as some dealers, which acted like interceders – not at all disinterested, of course – between the country side, the villages, at some extent productive, and the consumer cities , even though some of them with many down falling productions.

Certainly, there were plenty other factors, many of them disputable ...

... Essentially destructive, the second world war had though, some immediate consequences in a positive way for the soviets, consequences which created favorable conditions for the reconstruction that followed. Namely, the creating, boosting of the new industrial regions situated in the Ural mountains or Asia, in territories that have not been invaded by enemy troops. Here the development coefficient has been among the highest. At the same time, in matter was, like Thibault wrote, the “appending to the USSR of more than 500 thousand square kilometers situated overwhelming in the west of it’s European borders”. Even more, we can think – and take into consideration – the “significant contribution of the European countries where the Red Army stepped in and was present”, “contribution” privileged by the occupied force and with the important terminals in the effort to redress the USSR. A contribution represented firstly by the considerable “drawings” to which Moscow proceeded on the territory of it’s former opponents (Romania, with a relatively special situation, Hungary, but especially Germany), “drawings which represented some 85% of the national income of the first two states mentioned, between 1945-1948”, and which “were reached and even exceeded in Germany, taking into account that according to the Potsdam Agreements, dated on the 2nd of august 1945, the USSR, here, had a right to the total drawings in it’s occupation area and to 25% of the drawings in the area of the three allied”.

But a kind of this contribution has been represented in the same measure, by the systematical exploitation of the rich from

Oriental Europe, the exploitation which “has extended” even to the allied (Bulgarian, Czechoslovakia, etc.). The juridical staff mentioned in all the directions has been provided by the 25 societies of “composite economy”. Here, the Romanian, Hungarian, Bulgarian, German, and even Chinese interests (after 1950) has been “theoretical” associated with the Russian, Muscovites, Soviet companies, but in fact in a strict mode and imperative subordinate to the economy needs of the “big state”.

State, that overwhelming has been controlling the manage of the remembered societies with the “channels and levers” encompassed by the soviet administrators and technicians from the discussed companies. We have in view the SOVROMs (Sovrompetrol, Sovrombanc, etc.) in Romania, Maszolja, etc. in Hungarian, Maszodol, etc. in Bulgaria, Wismuth AS, etc., in Est Germany ...

Proper to some opinions and statistics, benefiting by important affluences and compensatory resources to dispose by the prepared cadres in the pacification technology and who didn’t wait the finish of the war “to put on in the value in the self’s profit, of the freed territories by the German occupation, URSS had needed four years (1945-1949) for a first abolishment of the brutes effects of the war and the final of this way, of a first important round, naturally of itself reconstruction.

It was a positive aspect, because, after the first worlds war, URSS needed for this kind of stage eight years (1918-1926) and even more.

The reconstructing economically cadre of URSS encompassed the fourth, fifth plan of this country (1946-1950). Started on 18

march 1946 the forecast plan, at first a refitted with a large insulation, produced new tools of desolated regions by the enemy, without the goods repatriated of transferred production, in the hostility time in Ural or in other parts of the Union. With very ambitious objectives, the remembered plan, through the others, has been assigned to hard industrial and transportations a superior level of production with 48% in 1950 to the one reached in 1940, agriculture has been recording a growth of 27% unto the same year, a little bit recording consumer goods industry.

It was reflected, on this way, the economic politic major options of URSS which gave net priority to report production with consum. In good measure, prognosis levels had been accomplished.

Unscripted in traditions and the logic of a legal system which always sacrificed the present in favor of the future operating this fourth program of development could have been compromised by an inflation which seemed to be damaging the Soviet economy ever since 1941.

This was ever since Moscow was constrained in order to finance the war effort, to increase the volume of the monetary circulation, already risen among others by numerous false banknotes issued by the occupying German authorities. However at the beginning of December 1947, such a “mortgage” was increased by carrying out a strict truly draconian monetary reform. Due to its selective character, the mentioned reform resulted in the reduction of the fiduciary circulation by 90% (a new ruble was exchanged for 10 old rubles), but the penalty appended to the

earnings and to the ones that took advantage of the war (farmers, merchants) who, being afraid of severe penalties, did not dare to exchange the banknotes raised in an illegal manner. There were some others who were advantaged, especially the retail customers whose deposits were exchanged ruble for ruble, up to the level of 3.000 rubles and a new ruble for 2 old ones for the deposits between 3.000 and 10.000 rubles. Thus, regaining the control over monetary processes, dabbling on the double aspect of the fall of prices (in 4 steps between April 1944 and March 1951) and of increasing the salaries (by 40% from April 1948), the Soviet Government could bring its planned devised reconstruction to an end. She was pushed by the launching of a new campaign of socialist competition which aimed among its essential tools at the “production meetings”. Here, the workers were invited to present their suggestions liable to boost productivity and of overcoming the established norms. There was at that time a constructive participative atmosphere with practical results which were not bad at all...

Beyond the limits of the system as such, especially visible a few decades later in the circumstances of other aspects of the economy, of a tight competition with the West it is nevertheless true, that the Soviet economy visibly “come out” transformed and “rejuvenated” – the mining, power iron and steel field – from the time of analyzed reconstruction process. The rejuvenation was especially marked by methods of a quasi-general applicability – complex mechanization in the mines. The improved use of the factory equipment, the introduction of automatization in certain works. But also the

building of a new industry with military purposes now called a top industry such as nuclear energetic and electronic which allowed the Soviet Union – of course the German specialists quartered here had a quite serious part – remove a part of the technological to draw back as compared to the USA. The main element in this respect was represented by the breaking of the USA's atomic monopoly through the announcement made by the Soviet Union in June 14, 1949 that is when “the first atomic bomb of Soviet production exploded”.

It is true that, mainly politic constrains, but also some constrains on psychological, economical, technical level, and the ones concerning the climate, will hinder the agriculture from seeing the same rapid growth pace like the industry. This is happening although the government has spent a lot of effort on reorganizing the rural structures, in order to “recover” the “collective” lands that had been misappropriated by the kolkhoz peasants for personal interests, and finally in order to improve the production terms by developing the rural electrification. Anyway, despite all the effort spent, the system itself and all its shortcomings have led to weak results in agriculture by the end of the IV-th five-year plan mentioned above, for example the growth level encountered in 1950 barley managed to rise above the level of the 1940's...

... It was a pattern. A whole series of its features will be taken over later by the people's democracy throughout their evolution, of course, some of this features were more emphasized than others, depending on one country' or another's

stage of integration in the “socialist system «à la soviétique»”. But, what has happened back then?

... Firstly by using force and fraud they had in mind to strike out of the European Governments the last representatives of the old bourgeoisie and parliamentary democracies. Being the only ones in power, after they have absorbed one part of the socialists and they have stricken out the last ruling monarchs (Simon II from Bulgaria, in September 1946, and Mihai I from Romania in 1947), the communist parties attacked the breeding ground of the opposition, some of these being still alive in these countries. Especially in administrations other people than communists have been excluded quickly. The next step meant that, after serious cleanouts in universities regarding different positions, the only ones entitled to occupy such positions were the disciples of Marx, Lenin and Stalin, although many of them have been considered as being primitive in their way of thinking. Finally, the church, especially the catholic one, and not only, whose ecclesiasts have been arrested, convicted and in any way hindered to practice their mission towards the church, even if the reasons invoked have been in most cases terrible. All this has happened under the close view of the West, which, because of some consented agreements and a developing balance of power, seemed to be pleased with propagandistic oppositions and advertisements, without too many or any connotations in those time's realities.

Living under the regime of the unique “National Meetings” (only Yugoslavia had two because of its federal structure),

the 8 republics, the 8 people's democracies (Albany, Czechoslovak Republic, Poland, Hungary, Romania, East Germany, Yugoslavia, Bulgaria) were promoting rapidly the system of the unique party, of course, the Communist Party. The 8 countries went through a period of transition which limited the power of business-owners drastically, nationalizations have been made in almost every field of activity, except in agriculture, where property and means of production have been "collectivized".

In this way, the way is drained for the transition (of what has been called "the socialist development"). Respectively, in a system totally different from the one before it, respecting other laws and settlements considerably different compared with the once before. It is not in vain that (not for nothing) in those years "if it rained at Moscow, the umbrellas would be opened very fast at Prague, Berlin, Warsaw, Sofia, Budapest, Bucharest, etc., even though here it was a very sunny day.

...Therefore, here is a striking analogy between the economy of the URSS and the economy of the states from East Europe, between those institutions, as well as from the entire political area, from the entire society. Some concrete details. An agrarian reform between 1944-1946 in all Oriental Europe's states seemed, even more, that it brought the end during 1919-1920 and not that it was effectively tracing the preparation of the "collectivity". As a matter of fact, the disappearance of the last properties relatively large – which resist in the past in Poland and Hungary or the once which had been in Romania after the law of conversion – disappearance through general

redistribution of the exploited and the farms which exceeded 20-30 ha, in the benefit of the agrarian workers, has consistently contributed to the blasting of the middle landowners' class, this pylon of the rural democracy during the two World Wars. In the same time, the communist' activists had ensured the sympathy of a certain part of the peasantry with less land and who received a few ha. The road towards "collectivity" was clear because, in the most situations, in agriculture the biggest holdings resist and not the smallest once, a road with a more or less faster rhythm depending on the opposition scale of the agrarian, sometime enough rigorous, in order to save as much as possible from the small rural holding. However, in the East Europe, finally, the socialism of the land has succeeded to settle new agrarian structures with three essential pylons, like in URSS, and here we speak about the agrarian state households (the farms), the agrarian collective households, and the machines and tractors factory.

Noticing that in the East Europe agriculture, with a deep rooted spirit of the land ownership – spirit passed on from the ancestry and from father to son – didn't work at all the "nationalization of the land" system, counting that the East and Central Europe realities, "the precautions above mentioned had visible seemed necessary and positive through the followed objective". Or, in industry, in other sectors, these kinds of precautions hadn't been conceivable.

The state, more and more communist and obedient to URSS, subdued in this way over a complex production machine. What facilitated it to achieve immediately an

executive plan, on order, different only at first by the soviet one, as far as some instabilities wouldn't allow some prevision series on long term (5-6 years), but only on short time (1-3 years). Agriculture and consumption goods at the same term, have become totally subordinate to the heavy industry and constructions. The Leninist model of industrialization, an effective privilege model, deliberately to produce the production goods, but also with a genuine omission for production of consumption goods, is already in the extensive way application stage. And how it comes to something relatively new, without a critique and opposite apparatus, and the poor peoples' hopes were encouraged in a large way, "popular democracies" – most of them – had rediscovered in 1949, as Pierre Thibault said, for many consumptions levels, the 1938' ones. They were working practically, in a much and intensive way, an impose propaganda and well executed was actuating for not so less, the hope in a new world.

It's seems that there were like under curtain, hundred of thousands, millions of political prisoners, in general proceeded from the ex-exploiting classes, from the old system high officials, but also from peasants that were not collectivized, intellectuals and workers who have seen their future in a different way. The isolation from the West world was as obvious as possible, most of time even aggressive. The West protests meaning the other system which had resource and support, proved to be, practically, inexistent and barren as efficiency.

Through decoupling by the "popular democracy" to its old political, economical, social, cultural institutions and coupling at the soviet model, through "possessed

classes" extermination and through reducing all workers and entrepreneurs, merchants at the "employee status", URSS prepared a profound integration of the Central and South-Eastern Europe states in the middle of the communist unit. A "unit" to whom it had to assure and impose leadership and had to counterbalance the power of the capitalist states from the Occidental Europe regrouped tighter and more consistent round the United States of America.

Build and finalized in stages and mostly as an answer at Americans initiatives, the profound integration of the "popular democracy" in the communist unit identifies by signing a series of bilateral alliance (1943-1948) and assistance (1947-1948 etc.) treaties, associating the states by individual or separately with URSS. There was a projection in the political plan of the founding in 1949 of Kominform (The Communist Informing Office), an institution which has resuscitated, as a matter of fact, the Komintern dissolved by I. V. Stalin in 1943, when the great soviet communist leader concluded alliances with the Anglo-Saxons...

For "sealing", economically speaking, the alliances with "the big red power", at the same time with the constitution and the development of the joint venture's activities – Hungarian, Romanian, Czecho-Slovak-Russian, etc., and of which we mentioned – it was set, it was constituted in 25 January 1949, the CAER (The Mutual-Reciprocal Economic Assistance Council), the "counterparty" to the Marshall plane moved off by the Americans. The CAER had the principal aim to coordinate the economic politics of the East and Central Europe, the development of these states followed to be insured under the soviet

technicians as part of some planes on long-term, generally after 1950 by 5 years and even 6 years in Poland. The coordinator soviet specialists, doubled by aboriginal technicians, had in view to harmonize the content of the development programs according to the principle of the “work social division”. There was followed and was obtained, certainly, a considerable growth of intra-communist exchange, therefore as part of the socialist camp, but it was amplified also the dependence of each member states so much in front to their partners and also to the leader, in front of the Soviet Union, almost a hundred per cent of the respective state’s external exchange were concentrated, limited in this way.

...In fact, only the URSS had a varied industrial panoply for insuring the economic independence, while the other states were followed only for some segments. For

example, Poland was specialized in carboniferous extraction and siderurgic, Czechoslovak, in the production of hard cars, East Germany, in chemical products and precision metallurgy, etc. Since then to Romania was reserved, in an industrial plane, a role of a secondary importance, especially in agriculture, a position that had a bad productivity, with numerous, primary products, a situation not really convenient and economically to the bad – “the prices scissors”. So much the more to the national communism perspective which, not after many years, will start to raise its head in a stage of development also obedient in front of the communism theories, but opened to some economic efficient things, much better personalized, higher to structures and output, fewer material-politically, relatively more generous from the social point of view, with a higher cultural opening to the world ...

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