

## ARTICLE

# Do-It-Yourself Socialism: Home Construction Credits, Private Property and the Introduction of the Self-Build Programme in Hungary, 1954–1956

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Ideology and state ownership are supposed to have characterised socialist housing. This article argues that economic and monetary constraints were also dominant in shaping housing policy in early socialist Hungary. These factors increasingly compelled the regime to promote private home ownership through state-subsidised credits. Despite high public interest in the programme, however, neither wealth, personal connections nor ideology alone could condition the outcome of home-build applications due to severe shortages. This impasse put the regime at a crossroads of whether to pursue needs-based housing or to introduce ‘profitability’ considerations in credit checks for self-build. This article argues that the Nagy government’s pursuit of the latter option increasingly undermined the ideological basis of communism. The scheme’s failure not only made citizens receptive to radical change in 1956 but also put the regime on a new trajectory where private wealth accumulation and self-provisioning became inseparable from the economic legitimacy of communism in Hungary.

## Introduction

On 12 May 1954, four months after the Imre Nagy reform government introduced the private home construction scheme in January 1954 as part of the economic liberalisation programme of the Hungarian Workers’ Party (*Magyar Dolgozók Pártja*, hereafter the Communist Party) in the wake of the first phase of de-Stalinisation in Hungary, Rezső Schöndorfer, the manager of Kőbánya Joinery Enterprise (*Kőbányai Épületasztalosipari Vállalat*), complained about the rejection of his home-construction plot and credit application to Budapest XI District Council. Although Schöndorfer fulfilled all eligibility criteria, primarily of having the necessary savings to begin construction, the council nonetheless turned Schöndorfer’s application down, claiming that the request was ‘unachievable’. Schöndorfer lamented that, since the establishment of communist power in Hungary in 1948, the communist regime had consistently blocked even his effort, as a decorated enterprise manager of the Hungarian People’s Republic, to build a home for his family of three. In ending his letter, Schöndorfer ridiculed the socialist state by summing up his experience with the regime’s housing policy:

In 1948, I got a building plot and a promise. In 1949, they took them away and I got another one and another promise instead. In 1953, they took both away again and in their place I just got a promise noted in the official record. . . . I had plenty of promises, and I had a building plot . . . but currently I have no building plot because it has been swallowed up by bureaucracy.<sup>1</sup>

<sup>1</sup> Rezső Schöndorfer’s application for participation in the self-build programme submitted to XI District Council, 12 May 1954, Budapest City Archives (Budapest Főváros Levéltára; BFL) XXIII.211.e/79d. 587/90.

Schöndorfer's feelings were typical of citizens who, despite the Imre Nagy government's promise of support for private construction – regardless of personal connections, accumulated building materials or even cash savings – continued to face various challenges in erecting a home posed by the ineffective planned economy and bureaucracy. Newspapers advertised the Nagy government's home construction programme as accessible to the masses in order to strengthen the legitimacy of the communist state, which in previous years was seriously undermined by Mátyás Rákosi's Stalinist regime's (1948–53) neglect of the acute housing crisis. Authorities and citizens, however, soon recognised that the scheme generally favoured the wealthy. However, even the relatively few eligible for credits faced severe obstacles in delivering private construction to a contracted deadline. The private construction scheme revealed crucial paradoxes of Hungarian socialism, making citizens and local authorities increasingly question the leadership's credibility and the rationality of communist socio-economic policy. Meanwhile, the communist regime's class policy (*osztálypolitika*), which promised to correct socio-economic inequalities, also became a subject of public ridicule. As the regime's legitimacy crumbled, the scheme's poor design and execution increasingly confirmed the state's weaknesses in exercising and even upholding authority leading up to the 1956 revolution. As opposed to the Kádár era, however, instead of strengthening state power, the private construction scheme revealed the socialist state's weaknesses in macroeconomic, fiscal and social policy, not only to everyday workers but even to local authorities and the party rank and file.

The history of private construction in early socialist Hungary challenges a common assumption that it was mainly the insistence of Marxist–Leninist ideology on the primacy of public ownership that shaped welfare and housing provision practices.<sup>2</sup> While, during the Rákosi years, party affiliation, political and work merits or other ideological factors played vital roles in influencing one's access to public housing, from 1954, housing policy underwent a sudden change under Nagy's premiership.<sup>3</sup> Nonetheless, Schöndorfer's story and similar other instances from the period also show that not even 'wealth' could instantly open doors in the context of an inefficient planned economy under Nagy's 'New Course' (*új szakasz*; 1953–5). While, in June 1953, political pressure from Moscow and the Rákosi regime's neglect of welfare compelled the Communist Party to implement reforms, paradoxically, from summer 1953, the Nagy government's policy implementation was constrained by the previous regime's aspiration of totalising power over economic and monetary resources. In 1954, limits on the state's private housing programme were primarily manifested in shortages of economic resources, which compelled the Nagy government to replace needs assessment criteria with 'profitability' considerations in credit checks. This new approach, in turn, increasingly undermined state ideology by incentivising citizens to accumulate wealth, mostly along lines incompatible with the Marxism–Leninism of the Stalinist state.

Scholars have argued that broadening access to private housing and the proliferation of consumer lending have played crucial roles in strengthening the postwar economic order in the West.<sup>4</sup> In recent decades, historians of communism have also increasingly turned their attention to ownership forms

<sup>2</sup> Gyula Belényi, *Az Állam Szorításában: Az Ipari Munkásság Társadalmi Átalakulása Magyarországon 1945–1965* (Szeged: Belvedere Meridionale, 2009), 294–327.

<sup>3</sup> On housing policy during the Rákosi years, see János Balázs Kocsis, 'Lakáspolitikai Budapest, 1950–1959', *Múltunk*, 54, 3 (2009), 83–122; Ágnes Nagy, *Harc a Lakáshivatalban. Politikai Átalakulás És Mindennapi Érdekvédelem a Fővárosban, 1945–1953* (Budapest: Korall, 2013).

<sup>4</sup> Lizbeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York, NY: Vintage Books, 2003); Paul Betts and David Crowley, eds., 'Special Issue: Domestic Dreamworlds: Notions of Home in Post-1945 Europe', *Contemporary History*, 40, 2 (2005); Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton, NJ: Princeton University Press, 2011); Louis Hyman, *Borrow: The American Way of Debt* (New York, NY: Vintage Books, 2012); Jan L. Logemann, *Trams or Tailfins?: Public and Private Prosperity in Postwar West Germany and the United States* (Chicago, IL: University of Chicago Press, 2012), 107–30; Moritz Föllmer and Mark B. Smith, eds., 'Special Issue: Urban Societies in Europe', *Urban Societies in Europe*, 24, 4 (2015).

and the ways in which access to private wealth accumulation shaped the postwar legitimacy of socialist states.<sup>5</sup> While private funding and private–public financing of home builds had a smaller share within total home construction than state financing in most Eastern Bloc countries, citizens considered low interest credits and informal household-based activities as a means of income supplementation during times of sustained economic crisis of late socialism in Eastern Europe as scholars have recently argued. For instance, in Poland and Yugoslavia, private home construction not only helped to shift the financial burden of housing provision from the state to the individual but also provided a means to an extra income through rent for citizens.<sup>6</sup>

In the case of the postwar Soviet Union, historians have challenged long-held assumptions about monolithic ownership structures of the planned economy. These studies have convincingly shown that ‘individual’ or ‘personal’ ownership were more dominant in the Soviet Union’s economic development during Stalinism than previously assumed.<sup>7</sup> As part of this new research programme of reconsidering the socio-economic basis of communist states, more recently, social historians have argued that households’ drive to increase purchasing power, as well as citizens’ valuation of the currency, shaped relations between socialist states and their societies already in the immediate postwar years.<sup>8</sup> Meanwhile, a future study on the relations between housing, private property, home construction loans and their impact on the social and political fabric is yet to be written in the Soviet context.<sup>9</sup>

With the exception of Mark Pittaway’s study on private home construction among a small group of miners in the mining town of Tatabánya in 1952–4, property relations, private housing and the accumulation of private wealth in Stalinist Hungary have been neglected areas of research.<sup>10</sup> Although constructions drew overwhelmingly on private funds throughout the entire period of Hungarian socialism (1948–89), the omnipotence of the communist state within the housing sector and the image of an intrusive socialist ‘paternalist state’, which supposedly catered for citizens’ needs through various social

<sup>5</sup> While private construction was thwarted in Romania and East Germany, by 1970, Czechoslovakia, Bulgaria, Hungary and Poland promoted private construction to varying degrees. See Brigitte Le Normand, ‘The House That Socialism Built: Reform, Consumption, and Inequality in Postwar Yugoslavia’, in Paulina Bren and Mary Neuburger, eds., *Communism Unwrapped: Consumption in Cold War Eastern Europe* (New York, NY: Oxford University Press, 2012), 360.

<sup>6</sup> Rory Archer, ‘The Moral Economy of Home Construction in Late Socialist Yugoslavia’, *History and Anthropology*, 29, 2 (2018), 141–62; Florian Urban, *Postmodern Architecture in Socialist Poland: Transformation, Symbolic Form and National Identity* (London: Routledge, 2020).

<sup>7</sup> For instance, see Julie Hessler, *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917–1953* (Princeton, NJ: Princeton University Press, 2004); P. Charles Hachten, ‘Property Relations and the Economic Organization of Soviet Russia, 1941–1948’ (Unpublished PhD Thesis, University of Chicago, 2005); Mark B. Smith, *Property of Communists: The Urban Housing Program from Stalin to Khrushchev* (DeKalb, IL: Northern Illinois University Press, 2010); Steven E. Harris, *Communism on Tomorrow Street: Mass Housing and Everyday Life after Stalin* (Washington, DC/Baltimore: Woodrow Wilson Center Press/Johns Hopkins University Press, 2013).

<sup>8</sup> For a review of this literature, see David F. Crew, ed., *Consuming Germany in the Cold War* (Oxford: Berg, 2003); Jonathan R. Zatlin, *The Currency of Socialism: Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2007); Amy E. Randall, *The Soviet Dream World of Retail Trade and Consumption in the 1930s* (London: Palgrave Macmillan, 2008); David Crowley and Susan Emily Reid, eds., *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Evanston, IL: Northwestern University Press, 2010); Paulina Bren and Mary Neuburger, eds., *Communism Unwrapped: Consumption in Cold War Eastern Europe* (New York, NY: Oxford University Press, 2012); Natalya Chernyshova, *Soviet Consumer Culture in the Brezhnev Era* (New York, NY: Routledge, 2013); James W. Heinzen, *The Art of the Bribe: Corruption Under Stalin, 1943–1953* (New Haven, CT: Yale University Press, 2016); Kristy Ironside, *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union* (Cambridge, MA: Harvard University Press, 2021); Elena Osokina, *Stalin’s Quest for Gold: The Torgsin Hard-Currency Shops and Soviet Industrialization* (New York, NY: Cornell University Press, 2021).

<sup>9</sup> Robert Dale, ‘Soviet Subprime: Petitions, Poverty and Rural Post-War Reconstruction’ (Unpublished Paper Presented at the BASEES Annual Conference, Cambridge, 2022).

<sup>10</sup> Mark Pittaway, ‘Stalinism, Working-Class Housing and Individual Autonomy: The Encouragement of Private House Building in Hungary’s Mining Areas, 1950–4’, in Susan Emily Reid and D. J. Crowley, eds., *Style and Socialism: Modernity and Material Culture in Post-War Eastern Europe* (Oxford: Berg, 2000), 49–64.

benefits, continue to define research into Hungarian socialist housing.<sup>11</sup> Only in recent years have scholars begun to dedicate attention to housing policy before the 1956 revolution. These studies, however, have primarily been concerned with relations between architecture, ideology and state formation, leaving private home builds, credits, their social and economic ramifications, and especially their broader impact on the historical trajectory of socialist Hungary under-theorised and under-researched.<sup>12</sup>

Although the Hungarian socialist state implemented stricter terms over personal indebtedness relative to the West (such as earmarking loans and imposing limits over available funds in crediting), the social dynamics and economic practices that consumer lending gave rise to could not have been wholly regulated by the state alone. Citizens' drive for self-sufficiency and autonomy surpassed levels that the formal socialist economy could provide, effectively compelling citizens to challenge the communist state's notion of formally accepted behaviour in economic self-provisioning.<sup>13</sup> These processes shaped the legitimacy of communist states, for instance, as Annina Gagyiova has explored vis-à-vis the reform socialist period in Hungary.<sup>14</sup> This article argues that it is worthwhile placing credits, private wealth accumulation, citizens' experience of living standards and housing policy under scrutiny to nuance our understanding of the ways in which economic processes and social dynamics in response to state policy shaped the transformation of Hungarian socialism before the revolution of 1956 and how these, in turn, paved the way for János Kádár's 'reform socialism' in the following years.

In the first section of the article, I assess the Hungarian early-socialist regimes' housing policy, the state's changing macroeconomic policy objectives as well as their repercussion on the standard of living against the backdrop of the first phase of Cold War hostilities between East and West from 1948 until Stalin's death in March 1953. Section two considers the circumstances in which the Nagy regime remade credits available to the public in early 1954 to facilitate private home build. The section

<sup>11</sup> For data on the 1948–57 period, see Pál Forgács, László Cseh-Szombathy and Sándor Kereszturi, *A Lakáskérdés* (Budapest: SZOT, 1958), 11–14. Between 1961 and 1989, 66 per cent of home builds drew on private resources, while only 34 per cent of homes were built by the state alone. See KSH, *Lakásstatisztikai Évkönyv 1989* (Budapest: KSH, 1990), 13. On the concept and use of the 'paternalist state', see Ferenc Fehér, 'Paternalism as a Mode of Legitimation in Soviet-Type Societies', in T. H. Rigby and Ferenc Fehér, eds., *Political Legitimation in Communist States* (London: Palgrave Macmillan UK, 1982), 64–81; Ferenc Fehér, Agnes Heller and György Márkus, *Dictatorship over Needs: An Analysis of Soviet Societies* (Oxford: Basil Blackwell, 1983); Elemér Hankiss, *East European Alternatives* (Oxford: Clarendon Press, 1990); Sándor Horváth, *Két Emelet Boldogság. Mindennapi Szociálpolitika Budapesten a Kádár-Korban* (Budapest: Napvilág Kiadó, 2012); György Majtényi, *Egy forint a krumpis lángos: a Kádár-kor társadalma* (Budapest: Libri Kiadó, 2018). For a review of literature focusing on housing policy under Kádár, see Csaba Béres, *Lakótelep, Kertes Házak Helyén* (Debrecen: MTA, 1979); György Konrád and Iván Szelényi, *The Intellectuals on the Road to Class Power* (New York, NY: Harcourt Brace Jovanovich, 1979); Zsuzsa Daniel, 'The Effect of Housing Allocation on Social Inequality in Hungary', *Journal of Comparative Economics*, 9, 4 (1985), 391–409; József Hegedüs and Iván Tosics, 'A Lakásrendszer Szociológiai És Közgazdasági Elemzése' (Unpublished CSC Thesis, MTA, 1993); Virág Molnar, 'In Search of the Ideal Socialist Home in Post-Stalinist Hungary: Prefabricated Mass Housing or Do-It-Yourself Family Home?', *Journal of Design History*, 23, 1 (2010), 61–81.

<sup>12</sup> For instance, see Kocsis, 'Lakáspolitikai Budapest', 83–122; Krisztina Fehérvári, *Politics in Color and Concrete: Socialist Materialities and the Middle Class in Hungary* (Bloomington: Indiana University Press, 2013); Virág Molnar, *Building the State: Architecture, Politics, and State Formation in Postwar Central Europe* (London: Routledge, 2013); Márkus Keller, *Szocialista Lakhatás?* (Budapest: L'Harmattan Kiadó, 2018); Máté Tamáska, ed., *Kockaház – A 20. Század Vidéki Háztípusa* (Budapest: Martin Opitz Kiadó, 2021).

<sup>13</sup> On questions of self-sufficiency and autonomy before 1956 in Hungary, see Mark Pittaway, 'Stalinism'; Mark Pittaway, 'Retreat from Collective Protest: Household, Gender, Work and Popular Opposition in Stalinist Hungary', in Jan Kok, ed., *Rebellious Families: Household Strategies and Collective Action in the 19th and 20th Centuries* (New York, NY: Berghahn Books, 2002), 199–229. On the relationship between transgressive economic behaviour and monetary instruments and their impact on state structures, see Szinan Radi, 'To Comply or Evade? Direct Taxes, Private Entrepreneurship and the Institutionalisation of Informal Practices in Hungary, 1945–1956', *Europe-Asia Studies*, 31 May (2022). DOI: [10.1080/09668136.2022.2072812](https://doi.org/10.1080/09668136.2022.2072812).

<sup>14</sup> Annina Gagyiova, *Vom Gulasch Zum Kühlschrank: Privater Konsum Zwischen Eigensinn Und Herrschaftssicherung Im Sozialistischen Ungarn (1956–1989)* (Wiesbaden: Harrassowitz, 2020); Annina Gagyiova, 'Legitimizing Socialism? Hard-Currency Stores and Western Goods in Hungary, 1956–1989', *Hungarian Studies Review*, 48, 1 (2021), 19–47.

assesses how the state and society's conceptions of private home build evolved and increasingly conflicted with each other due to various economic limits exacerbated by the inefficient Stalinist planned economy. Section three shows how the state attempted to mitigate this conflict of expectations of socialist welfare by increasing the weight of 'profitability' criteria instead of emphasising social needs in councils' selection process in home build only within months of the scheme's introduction. Section four assesses how the self-build programme intensified inequalities within society instead of providing homes on an equal basis to the masses as propagated by the regime at the time. Section five focuses on the experiences of the relatively few who gained admittance to the programme. This section considers the effects of surging building costs, acute shortages of building materials and the general unavailability of plots and credits on private home build. Finally, section six discusses the impact of the removal of Nagy from government in early 1955 on the home construction programme's development until autumn 1956. Overall, the article argues that, instead of buttressing the regime's legitimacy, at least among the few relatively privileged participating in the scheme, by October 1956, ongoing issues with the private construction scheme revealed that neither the programme nor the regime had real beneficiaries. Both citizens and authorities recognised that the regime was not only unwilling but even incapable of administering welfare reforms.

### Housing Policy of the Early 1950s

After the party fusion of the Communist (*Magyar Kommunista Párt*) and Social Democratic parties (*Szociáldemokrata Párt*) in June 1948, Hungary's forced industrialisation and militarisation became top priorities for Hungarian communist leaders in line with Soviet directives to counter US 'imperialism'.<sup>15</sup> From autumn 1949, the communists began to exploit the fiscal powers of the state to an unprecedented scale to drain households' purchasing power to fund the country's overambitious economic plans. As thrift (*takarékosság*) became prioritised, direct taxation, state-loans, the continuous increase of production targets and norms, and the overall depreciation of the value of wages helped broaden the state's budgetary space at the expense of consumption and citizens' fiscal autonomy.<sup>16</sup> Simultaneously, as heavy industry boomed, a large portion of Hungarian citizens became impoverished and lived far below prewar living standards. In early 1950s Hungary, at the peak of Stalinism, real wages declined, staples became in short supply and an acute housing crisis ensued. By the end of 1952, real wages decreased by 18 per cent for workers, while peasants' per capita real income was 34 per cent below the 1949 level.<sup>17</sup> Meanwhile, the Communist Party applied coercive propaganda to influence and repress public opinion to maintain political stability.

By the time that the first phase of Cold War hostilities (roughly around the time of the Korean War in June 1950–July 1953) began to ease after the US presidential election of November 1952 and the death of Joseph Stalin in March 1953, no extensive housing programme existed to provide for Hungarian citizens' need of modern and healthy housing. Although the topic had been widely discussed by architects and politicians before and after the war, after 1949, Hungary's militarisation had systematically swallowed up funds from the consumer sector, making the housing question a 'step-child' of communist economic policy.<sup>18</sup> After 1945, architects deemed that, apart from the reconstruction of the existing housing stock, at least 200,000 new homes were immediately needed to match demand.<sup>19</sup> Although home construction loans had already been introduced in 1950, the Rákosi regime's contractionary fiscal policy precluded mass participation in the government-funded home

<sup>15</sup> Magdolna Baráth, 'A Hároméves Tervtől Az Ötéves Tervig. Irányváltás Az MKP Gazdaságpolitikájában', in István Feitl, Lajos Izsák and Gábor Székely, eds., *Fordulat a Világban És Magyarországon. 1947–1949* (Budapest: Napvilág Kiadó, 2000), 301–17.

<sup>16</sup> Iván Petó and Sándor Szakács, *A Hazai Gazdaság Négy Évtizedének Története 1945–1985. I.* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1985), 212–32.

<sup>17</sup> KSH, *Magyar Statisztikai Zsebkönyv 1958* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1958), 176.

<sup>18</sup> Keller, *Szocialista Lakhatás?*, 104.

<sup>19</sup> *Ibid.*, 20.

construction programme. Meanwhile, the communist regime also remained incapable of building homes in sufficient numbers.<sup>20</sup> This is evidenced by the number of overall homes built during Stalinist industrialisation and mass migration from village to city when the regime's ideological insistence on the superiority of public housing prevailed. Even during times of general impoverishment between 1950 and 1953, the share of private home build (62.2 per cent) exceeded the rate of state home construction (37.8 per cent). In 1950–3, only 38,435 homes were built privately, 8,772 through state-subsidised credits and 28,680 by the state alone.<sup>21</sup> Regardless of the funding source, this was only a drop in the ocean.<sup>22</sup>

By early 1953, the housing crisis turned so critical that squatting became a weekly occurrence in Budapest districts. Mood reports lamented that evictions were 'outrageous scenes' evoking the general disapproval of the public citywide in Budapest. Authorities often had to use the police to remove squatters from illegally-occupied homes by force. For example, in the VIII District of Budapest, a squatter threatened to pour sulphuric acid, sewage and garbage onto council employees if they dared to attempt a relocation by force. Squatters threatened to commit suicide or to 'wipe out' their own family in despair.<sup>23</sup> People's hopelessness frequently turned into open collective action against unbearable housing conditions.<sup>24</sup> Even in September 1954, in the IX District, 400–500 people protested against the Real Estate Management Enterprise (*Ingatlankezelő Vállalat*) and threatened to throw one of the enterprise's employees out of the window.<sup>25</sup> In the following month, 500–600 people protested against poor housing conditions in the same district. Authorities could only break up the protest by using a police battalion.<sup>26</sup>

An opportunity to mitigate the Rákosi regime's neglect of the housing crisis emerged only in summer 1953 when the Hungarian leadership implemented political changes at Moscow's behest.<sup>27</sup> In June 1953, the Soviet leadership installed the agricultural expert Imre Nagy as head of government to undertake reforms while keeping Mátyás Rákosi as the party's first secretary. From the announcement of Imre Nagy's New Course reform programme on 4 July 1953, hardliners centred around Rákosi stymied Nagy's reforms. Whether to facilitate agricultural production and raise consumption or continue heavy industrialisation was at the centre of debate within the party elite throughout Nagy's premiership until his removal from office in early 1955.<sup>28</sup>

The New Course focused on three main areas to reform: improving agricultural output, increasing living standards and establishing legality in the country.<sup>29</sup> During a relatively short time span, in summer 1953, the government implemented tax revisions, cancelled compulsory delivery arrears and reduced state loan quota and prices of staples, among other measures.<sup>30</sup> These measures, however,

<sup>20</sup> Between 1950 and Feb. 1954, three schemes were available to self-builders: the National Savings Bank's (*Országos Takarékpénztár*; OTP) home construction programme; the Village Housing Construction Economic Office's (*Falusi Lakásépítési Gazdasági Iroda*; FAGI) scheme for people employed on state farms (*sovkhöz*); and the home-for-miners offer (*bányászház-akció*) for miners. In Feb. 1954, the government merged both FAGI and the home-for-miners offer into the OTP's home construction programme. On the home-for-miners offer, see Pittaway, 'Stalinism', 49–64.

<sup>21</sup> Forgács, Cseh-Szombathy and Kereszturi, *A Lakáskérdés*, 12.

<sup>22</sup> Forgács, Cseh-Szombathy and Kereszturi's study estimated the need for 310,000–470,000 homes nationwide in 1958. *Ibid.*, 21–2.

<sup>23</sup> Ferenc Gáspár and Klára Szabó, eds., *Források Budapest Múltjából V/A, 1950–1954* (Budapest: Budapest Főváros Levéltára, 1985), 405–6.

<sup>24</sup> The vice-chairman of Budapest City Council Executive Committee, József Baranyai's comment on the housing issue of Budapest during the discussion of Budapest City Council's plan proposal of 1955, 16 Sept. 1954, BFL XXIII.102.a/1d. 144.

<sup>25</sup> Mood report of Budapest workers compiled by Budapest party organs before the fifth 'peace-loan' subscription campaign, 21 Sept. 1954, BFL XXXV.95.c/47d. 268. ő. e. 128.

<sup>26</sup> Gáspár and Szabó, *Források Budapest Múltjából V/A, 1950–1954*, 406.

<sup>27</sup> János M Rainer, *Nagy Imre 1896–1953* (Budapest: 1956-os Intézet, 1996), 509–30.

<sup>28</sup> Gyarmati, *A Rákosi-Korszak*, 329–42.

<sup>29</sup> Károly Urbán, 'Nagy Imre Első Miniszterelnöksége', *Társadalmi Szemle*, XLVII, 6 (1992), 75. On the Imre Nagy government's agricultural reforms, see Zsuzsanna Varga, *The Hungarian Agricultural Miracle? Sovietization and Americanization in a Communist Country* (Lanham, MD: Lexington Books, 2020), 69–97.

<sup>30</sup> János M. Rainer, *Nagy Imre 1953–1958* (Budapest: 1956-os Intézet, 1999), 9–21.

in parallel with the Stalinist state's slow transitioning from military production to satisfying consumer demand, caused a significant monetary excess in the economy. By February 1954, the country's monetary base had increased by nearly 40 per cent. In February 1954, the Ministry of Finance reported a significant increase in banknote circulation. While on 10 February 1953, the money supply stood at 2,880 million forints, a year later on the same day it totalled 4,030 million forints, 150 million forints above the planned target.<sup>31</sup> Nagy and his reformer colleagues were under increased pressure to find a balance between implementing new policies to increase the party's legitimacy in the public as per Moscow's request and mitigating monetary excess and administering structural reforms of the Stalinist economy to raise the financial sustainability of reforms while fending off political attacks from the party's inner opposition from the left.

In order to establish a long-term action plan, in summer 1953, the new government initiated research into the social, cultural and working conditions of the 'working class' to map public opinion.<sup>32</sup> The special research committee, who by their own admission had only just learned about workers' tragic life quality during their 'fieldwork', came to a drastic conclusion about the overall living standards of the Hungarian 'working class'. The report found that people had the 'gravest complaints' about housing, as 'tens of thousands of unsettled housing requests had been lying in the apparatuses of councils, trade unions, party organisations, the party headquarters, and [the party's daily] *Free People* [*Szabad Nép*]. The committee reported that 'Certain families [lived] in appallingly inhuman conditions' while 'a considerable portion of workers [lived] in intolerable circumstances'. The situation was 'especially intolerable' in industrial districts, such as Budapest, Tatabánya, Diósgyőr, Ózd and Salgótarján, where often four to five people shared a room. In more extreme cases, some even lived in cellar and cave accommodation. The committee emphasised that the regime's lack of support for private construction laid the responsibility for the housing crisis almost entirely on the state, which 'nowhere near could satisfy demand, and potentially, will not be able to do so in the future'.<sup>33</sup> To initiate change, the committee deemed state support for private construction a top priority. The report concluded that the state should provide building plots and design templates (*típuserv*) for citizens free of charge. In addition, it argued that long-term loans and building materials would have to be made available and subsidised accordingly.<sup>34</sup> Essentially, the report broke with the Rákosi regime's insistence on the primacy of the state over the private sector in socialist housing.<sup>35</sup>

### Conflicting Visions: Self-Sufficiency, Profitability and the Household Economy

On 31 January 1954, *Free People* announced the 'Council of Ministers' resolution' of support for self-build.<sup>36</sup> The article promised favourable terms and conditions. The article reported that councils

<sup>31</sup> See the Ministry of Finance's report about the execution of financial tasks concerning the realisation of the government programme, 22 Feb. 1954, MNL OL XIX-L-1-aa/251d. The Soviet leadership also raised this issue of 'inflation' with the Hungarian party delegation in May 1954 in Moscow. See János M. Rainer and Károly Urbán, "Konzultációk". Dokumentumok a Magyar És a Szovjet Pártvezetők Két Moszkvai Találkozásáról 1954–1955-Ben', *Múltunk*, 37, 4 (1992), 135.

<sup>32</sup> In summer 1953, the Nagy regime established a special committee to research the living conditions of the 'working class'. The committee visited thirty factories, mines and construction sites, and spoke with more than 500 workers. They considered their conclusions representative of the general living conditions of the working class nationwide in Hungary.

<sup>33</sup> Report of the special committee commissioned by the Political Committee to map workers' living conditions, 5 Nov. 1953, Hungarian National Archives (Magyar Nemzeti Levéltár; MNL) OL M-KS 276. f. 53. cs. 145. ó. e. 35. This challenges the view that the authorities only recognised around the mid-1960s that the state on its own was incapable of building homes in satisfactory numbers. See Belényi, *Az Állam Szorításában*, 295. The state's incapability of satisfying demand was also admitted by the Political Committee in early 1954. See the Political Committee's resolution on supporting private home build, 2 Mar. 1954, MNL OL M-KS 276. f. 53. cs. 157. ó. e. 65–71.

<sup>34</sup> MNL OL M-KS 276. f. 53. cs. 145. ó. e. 40.

<sup>35</sup> See also the Central Committee's Industry and Transport Department and the Ministry of Light Industry's joint proposal for private home build, 20 Jan. 1954, MNL OL M-KS 276. f. 53. cs. 157. ó. e. 48–64.

<sup>36</sup> Apart from *Free People*, between 31 Jan. 1954 and 2 Feb. 1954, the same announcement was made in the majority of the regime's national news outlets such as *Magyar Nemzet*, *Népszava* and other regional papers such as *Vas Népe*,

'must' provide workers with building plots if applicants agreed to complete constructions to a two-year deadline. In order to help finance building expenses, the article promised that credits would cover 75 per cent of overall building expenditure at a 2 per cent interest rate for the maximum duration of twenty-five years. The article argued that plots had to be suitable for household-plot production (*háztáji*). The article also confirmed builders' legal right to private property, implying that councils would be prohibited from allocating newly-built homes for flat-share (*társbérlet*) coercively.<sup>37</sup>

The article presented a radically new conception of socialist housing policy to the Rákosi regime's previous practice. After years of propaganda about the benefits and superiority of nationalisations and public home build, the article not only admitted people's right to private accommodation and an income from renting their homes out but even promised to give financial aid to workers. Moreover, the article's permissive language, prioritising welfare over costs, portrayed the scheme in a favourable light to citizens. Subsequent media reports of the scheme were no different in this regard. An article in February, for instance, spoke of 'juniors and seniors, young and weak-sighted grandmothers' consisting of 'working people, miners, peasants, rural teachers, municipal officials [and] newlyweds' as the scheme's targeted beneficiaries. News reports, however, failed to mention that the Rákosi regime's economic policy of the previous years effectively prevented the majority of the population from accumulating adequate savings for immediate participation in the scheme.<sup>38</sup>

The Nagy government's decree had a sensational impact among citizens, significantly exceeding the regime's expectation of popular interest. As a XI District Council report explained in September 1954, the announcement of aid for self-build 'touched on a very sensitive issue of [the] population'.<sup>39</sup> Immediately after the article's publication, thousands of requests began to pour into councils when council authorities had not even been instructed about the programme's implementation. In just three weeks, by 17 February, councils nationwide received 47,000 requests, although the government planned to fund the building of only 15,000 homes in 1954 overall.<sup>40</sup> Budapest City Council alone received 3,900 applications while the number of enquiries was over 10,000, only up to 24 February 1954.<sup>41</sup>

At the programme's outset in January 1954, the Communist Party claimed that the private construction scheme would merge the socialist regime's humanistic principles with obtaining 'personal property' (*személyi tulajdon*) and promote 'self-sufficiency' through credit extension.<sup>42</sup> Soon, however, from March 1954 onwards, issues prevailing in policy implementation increasingly revealed that self-sufficiency for the state primarily meant minimising state expenditure and maximising state revenue (i.e. draining households' purchasing power) amid acute shortages of building plots, materials and

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*Viharsarok, Tolnai Napló, Délmagyarország*, etc. as per the Political Committee's resolution to publicise state support for home construction credits. In addition, the programme was also widely covered on the radio.

<sup>37</sup> 'A minisztertanács határozata a magánérből történő családi lakóházépítések fokozott támogatásáról', *Szabad Nép*, 31 Jan. 1954, 1.

<sup>38</sup> 'Családi fészkek', *Béke és Szabadság*, 24 Feb. 1954, 10.

<sup>39</sup> XI District Council's Construction and Transportation Department's report on private home build, 30 Sept. 1954, BFL XXIII.211.e/79d.

<sup>40</sup> The Ministry of City and Village Management and the Central Committee's Plan, Finance and Commerce Department's joint report on the status of private home builds, 17 Feb. 1954, MNL OL M-KS 276. f. 53. cs. 161. ó. e. 43.

<sup>41</sup> Budapest City Council's Agricultural Department's report on the execution of the Council of Ministers' resolution on private home build, 25 Feb. 1954, BFL XXIII.102.a/1d. 'Jelentés a magánérből történő lakóházépítés . . .' (25 Feb. 1954, 8). On the number of successful applications registered by the OTP between 1952 and 1957, see the finance supplement of the Central Statistical Office's yearbook, 1957, MNL OL XIX-A-39-a/II/1959/18d. 5.

<sup>42</sup> Although 'personal property' was not a legal category, Hungary's communist constitution of 1949 acknowledged and proposed to protect 'property gained through labour'. This left space for varying interpretations of private property. A prominent legal scholar of the communist period, Gyula Eörsi, argued in 1951: 'The distinction between private and personal property must be seen clearly . . . to define the character of property gained through labour which is protected by the constitution.' See Gyula Eörsi, *A Tulajdonjog Fejlődése. A Kapitalizmus Tulajdonjoga, I. Kötet* (Budapest: Jogi és Államigazgatási Könyv- és Folyóiratkiadó, 1951), 48–55. Legal debates over property types mostly became a matter of interest in ideological clashes between the reformist and hardline factions of the Communist Party both during Imre Nagy's New Course and the Kádár years.



human resources. For citizens, conversely, it meant the opposite. State and society had conflicting expectations regarding the ideal ratio between public and private sources. The instruction of the Ministry of City and Village Management (*Város és Községgazdálkodási Minisztérium*; VKgM), responsible for the programme's execution, that was given to local councils revealed that the regime's plan served a pragmatic goal, namely, to reduce citizens' purchasing power by using the private home as an incentive while, simultaneously, increasing the standard of living through housing.<sup>43</sup>

Despite relatively high financial costs, the need for after-hour labour and acute building materials shortages, the scheme provided people with an opportunity to acquire private property for privacy and household autonomy to escape from the unreliable state sector.<sup>44</sup> While previously, the Rákosi regime considered these views as 'individualistic' and 'petty bourgeois sentiments' (*kispolgári nézetek*), after the announcement of the private home construction programme in late January 1954, people began to embrace these goals openly due to the Nagy regime's inclusion of private home into the semi-legal category of 'personal property' instead of 'private property'. This allowed additional space for feelings about personal autonomy to flourish publicly.<sup>45</sup>

Citizens referenced the 'household-plot farming' (*háztáji gazdálkodás*) as a legitimate escape to self-sufficiency. István Csörgő, for instance, argued that '[his] and [his] family's old wish had been to build [their] own family home and to maintain a household economy there'.<sup>46</sup> István Bodza requested a large plot for his orchard and beekeeping.<sup>47</sup> Individualistic goals, however, often continued to be framed in terms of the greater societal ideals of communism. For instance, József György argued that his age-old desire to build a small home for his family would provide many options for a living. György wanted to devote his free time to a kitchen garden and to breed domesticated animals. He argued that the household economy would help raise personal living standards and contribute to 'building socialism' as 'what he produced for himself, he would not buy from the shop or the market'. While visions of citizens and the state about the public good of private construction somewhat met on the level of 'self-sufficiency', they collided regarding the financial terms. For instance, György specifically asked that, although he did not possess the 25 per cent required deposit, 'Doesn't a large family on low pay deserve help?'<sup>48</sup>

While the Nagy government's immediate reforms in summer 1953 aimed to increase the public's disposable income after years of contractionary fiscal measures under Stalinism, in January 1954, the Political Committee's support for private construction aimed to realise the regime's promise of increasing the standard of living by giving a meaningful objective for people to save towards and invest their money in. However, with the home construction programme, it seemed, the Nagy government bit off more than what the planned economy built on Stalinist economic principles could chew.

### Policy Implementation and the Politics of Attrition in Application Assessment

By February 1954, VKgM, learning from councils' complaints, recognised that the scheme was unsustainable due to a severe mismatch between the number of available plots, building materials, human resources and credits, on the one hand, and applicants, on the other. Local council authorities resented that the news coverage of the scheme 'prompted excessive illusory expectations on the part of workers',

<sup>43</sup> The Ministry of City and Village Management's instruction about the facilitation of the private home build programme, 10 Mar. 1954, BFL XXIII.204.f/35d.

<sup>44</sup> On this aspect, see Pittaway, 'Retreat', 199–229.

<sup>45</sup> 'Hogyan lehet új családi házat építeni?', *Szabad Föld*, 7 Mar. 1954, 3.

<sup>46</sup> István Csörgő's application for participation in the self-build programme submitted to IV District Council, 15 Mar. 1954, BFL XXIII.204.f/58d.

<sup>47</sup> István Bodza's application for participation in the self-build programme submitted to XI District Council, 28 Feb. 1954, BFL XXIII.211.e/79d.

<sup>48</sup> József György's application for participation in the self-build programme submitted to XI District Council, 14 Feb. 1954, BFL XXIII.211.e/79d.

which ‘higher authorities’ later failed to address.<sup>49</sup> For instance, council authorities in the XI District of Budapest explained that the scheme’s media propaganda misled applicants as ‘claimants were under the impression that the government would give them a plot and also offer them a loan, and that, by getting these, they could build their homes without any contribution of their own’.<sup>50</sup>

In fact, it was not simply the high demand for loans but the scheme’s overall legal design that allowed for high expectations. For instance, the executive order – which was only published with a month’s delay on 28 February 1954 after the programme’s announcement in the news – instructed councils to allocate plots within fourteen days of receipt of applications.<sup>51</sup> Most councils, however, lacked available land to satisfy demand. Moreover, while the decree promised design templates for applicants free of charge, design templates would only be released in March, and even then, they failed to consider personal requirements, urban landscapes and the level of available building materials at the time. While the government promised a price cut of 20–30 per cent on building materials, the Fuel and Building Material Trading Enterprise (*Tűzelőszer és Építőanyag Kereskedelmi Vállalat*; TŰZÉP) depots consistently failed to make building materials available to the public due to shortages.<sup>52</sup> Finally, the decree instructed enterprises to help employees’ participation in the scheme by providing transportation and civil engineering services at cost price. The government, however, left the method of estimating cost prices unregulated, effectively failing to set a clear boundary between socialist and private property, as discussed later in this article.

In March 1954, the minister of VKgM, János Szabó, learning from these issues, instructed councils to prioritise among applicants by financial and material contribution (available savings and owned building stock) to minimise the state’s financial involvement in the self-build programme. By this time, Szabó’s instruction did not even discuss the factor of social needs widely celebrated in the media.<sup>53</sup> The sole requirement which acknowledged the regime’s ‘class policy’ was applicants’ obligation to enclose brief party references from shop and trade union committees.

Regardless of the regime’s attempt to formalise the application process by using standardised forms, people continued to enclose personal letters to justify their merit along the humanistic principles of Marxist–Leninism, predominantly in lieu of adequate savings. People referenced their own and their families’ working merits, status (e.g. whether someone was a Stakhanovite or a director of a socialist enterprise), social needs, housing and health conditions, party references and time wasted on commutes between home and work.<sup>54</sup> In addition, people quoted the overall value of their acquired building materials, labour power and workplace support on application forms to satisfy the National Savings Bank’s (*Országos Takarékpénztár*; OTP) minimum deposit requirement for loans instead of readily available cash savings.<sup>55</sup> Unlike in other spheres of welfare management in the period where citizens referenced their ‘institutional positions to stake claims to different state resources’, the couching of personal interest in the collective categories of the regime rarely conditioned applications’ outcome.<sup>56</sup>

Realistically, people could only afford construction if they physically participated in the building process and obtained building materials from alternative sources to state depots. Councils, however, often refused to

<sup>49</sup> Budapest Party Committee’s Industry and Transport Department’s information report about the private housing construction campaign in Budapest, 3 June 1954, BFL XXXV.95.d/37d. 257. ő. e. 3.

<sup>50</sup> XI District Council’s report about the experience of the execution of the private home build programme in the five months since the programme’s introduction, Jul. 1954, BFL XXIII.211.e/79d. 587/90.

<sup>51</sup> VKgM and PM Decree No. 1. of 1954 in *Magyar Közlöny*, X. (28 Feb. 1954), 79–86.

<sup>52</sup> ‘A családiházak építéséről’, *Esti Budapest*, 6 May 1954, 3.

<sup>53</sup> The Ministry of City and Village Management’s instruction about the facilitation of the private home build programme, 10 Mar. 1954, BFL XXIII.204.f/35d.

<sup>54</sup> Haney has observed similar personal strategies at play in the period in her assessment of enterprise and childcare records. See Lynne A. Haney, *Inventing the Needy: Gender and the Politics of Welfare in Hungary* (Berkeley: University of California Press, 2002), 62–88.

<sup>55</sup> The OTP estimated the value and the maximum share of voluntary labour for each skilled job within deposits. These calculations seemed to have only been finalised and made public after 1956. For exact figures, see Pál László, Gyula Udvarhelyi and Miklós Wolf, *Lakásépítés Állami Támogatással* (Budapest: Közgazdasági és Jogi Könyvkiadó, 1959), 99–100.

<sup>56</sup> Haney, *Inventing the Needy*, 64.

consider these as deposits due to state priorities for people with adequate cash savings.<sup>57</sup> When applicants' financial eligibility was indisputable, but the lack of building plots prevented land allocation, councils left applications unsettled, presumably hoping that requests would eventually expire, therefore, in essence establishing a system of case management which encouraged 'attrition', that is, the dropout of applicants during the application process in the context of insufficient amount of resources, despite the legal guarantees of the Nagy regime. This practice was especially prevalent in districts where the scarcity of available land was the most pressing issue in the programme's execution. A case in point was Budapest XI District, where the scarcity of plots was matched with an extremely high number of applications.<sup>58</sup> Even when a formal answer was provided to applicants, XI District Council systematically failed to explain their basis of rejection, which further intensified dissatisfaction with authorities.<sup>59</sup>

In April 1954, Ferenc Radóczy, for instance, sought legal redress at XI District Council in order to get the council's rejection of his application overruled:

Dear Comrades. When I came to the decision that I should participate in the house-building action initiated by the government programme, I examined in their entirety the regulations relating to the government programme; I paid visits to the Budapest City Council and the National Savings Bank, and I presented my case. I made reference to the government programme and to regulations cited in newspapers relating to builders in similar circumstances, when even builders in units or brigades can also contribute 10,000 to 15,000 forints, that is the necessary 25 per cent deposit, [by] including the labour of their family members. And after I had presented my case, from both the Council and the Bank I got the same reply: naturally I could get a loan . . .

Experiencing the paradox between the Stalinist regime's insistence on determining individuals' worth through the principle of 'to each according to his contribution' for the 'building of socialism', and councils' standardised credit checks based on profitability criteria first-hand, Radóczy explained the basis of his disagreement with the council's rejection in the following way:

. . . [when] the comrades read through the [party references] which were appended to the request, they saw that here was a worker wanting to join the house-building action who had carried out serious work in the building of socialism and people's democracy, and who still does. Perhaps that was why I could not pull together the sum that was needed, unlike others who did not take part in voluntary work, who therefore were able to get hold of the necessary sum. Which means that there is no guarantee that the people who get the plots first will unconditionally be those who gave most in the building of socialism.<sup>60</sup>

In stark contrast to needs-based and personalised welfare management practices prevalent in the period, councils' bureaucratic approach of ranking citizens by their available cash savings in evaluating self-build applications made many applicants dissatisfied and estranged from councils.<sup>61</sup> It made

<sup>57</sup> The government instructed councils to follow this logic because, by Feb. 1954, the country's monetary base had increased by nearly 40 per cent in the wake of the Nagy government's reforms of summer 1953, as explained in the first section of the article.

<sup>58</sup> Up until 18 May 1954, only 18.7 per cent of successful applicants could have been allocated a plot in the XI District due to the council's lack of available land. See BFL XXXV.95.d/37d. 257. ó. e. 7–8.

<sup>59</sup> The XI District Council was a recorder in this regard. Up to 31 Dec. 1955, the XI District Council had 411 applications pending. By this time, some of these applications had been pending for more than a year, significantly exceeding councils' fourteen-day obligation to reach a decision. See the Budapest City Council's Urban Planning and Architecture Department's directive submitted to II, III, XI, XII, XX and XXII District Councils about the evaluation of plot requests, 12 Jan. 1956, BFL XXIII.211.b/251d.

<sup>60</sup> Ferenc Radóczy's application for participation in the self-build programme submitted to XI District Council, 20 Mar. 1954, BFL XXIII.211.e/80d.

<sup>61</sup> On the early-socialist regime's welfare and home allocation policy, see Haney, *Inventing the Needy*, 25–88; Nagy, *Harc a Lakáshivatalban*.

people perceive a widening gap between communist ideology, which considered housing a basic human need, and reality, which showed that wealthier citizens had a higher likelihood of obtaining a private home. In general, councils deemed that their inability to satisfy citizens' needs worsened public mood.<sup>62</sup> János Berta complained to XI District Council about his application's rejection in the following way:

It would be better if the allocation committee talked to those concerned as well, instead of sorting out such hugely important questions on paper. It is the workers, after all, that our government is helping by offering this possibility. I think it is completely wrong that when I received the notification attached I went personally, directly to the XI district allocation committee . . . and they basically did not even listen to me.<sup>63</sup>

While XI District Council's conduct was radical in this regard, other council reports further evidence that citizens' social needs and degree of 'contribution to the building of socialism' rarely played a part in credit checks nationwide; instead, council authorities' consideration of profitability criteria primarily conditioned applications' outcome.<sup>64</sup>

### Raising the Inequality Gap through Private Housing

In the months following the scheme's announcement, citizens and authorities recognised that the programme's targeted beneficiaries of 'average workers' generally struggled to participate in the scheme. While prices of building plots were heavily subsidised, the relatively high deposit requirement, together with the credit ceiling of 40,000 forints, limited the scope of applicants and advantaged the wealthy. Councils reported that most applicants could not even afford the minimum deposit to be eligible for credits. In Budapest alone, even after councils rejected a significant number of applications on profitability considerations, the OTP only received 86 loan requests by 1 June 1954 out of the 516 that councils considered financially safe. Budapest City Council noted that this number was 'fairly minimal' and that most people 'presumably could not present' the required deposit to the OTP.<sup>65</sup>

While authorities did not share building estimates with the public, keeping interested citizens in the dark, in July 1954, Budapest Party Committee's Industry and Transport Department calculated foreseeable costs for internal use. The report estimated that, even if building materials had been available in adequate quantities, constructing a two-bedroom home with full utilities could cost 123,000 forints on average. The report accounted 80,000 forints for building materials and 43,000 forints for labour and other expenses. Given that the state only permitted enterprises to purchase building materials at wholesale price, applicants could only reduce overall building expenses by deviating from design templates using 'cheaper materials such as rubble and mudbrick'.<sup>66</sup> The report evaluated, however, that 'significant savings' could be realised on labour. The report argued that the degree of savings on labour depended on the extent of constructors' contribution to the building process. The report estimated that the overall cost of a two-bedroom home 'realistically' could be reduced to 75–80,000 forints through reciprocal and unpaid labour with family help and other informal networks.<sup>67</sup> The report

<sup>62</sup> Szabolcs-Szatmár County Council's letter to VKgM about providing OTP credits for private home build, 18 Feb. 1955, MNL OL XIX-D-4-i/174d.

<sup>63</sup> János Berta and József Berta's joint application for participation in the self-build programme submitted to XI District Council, 26 Apr. 1954, BFL XXIII.211.e/79d.

<sup>64</sup> In the postwar Soviet Union, a more lax policy in granting home construction credits led to indebtedness for many impoverished families. Hungarian authorities could have presumably learnt from this instance. See Robert Dale, 'Soviet Subprime'.

<sup>65</sup> The Vice-Chairman of Budapest City Council Executive Committee, József Baranyai's report on private home build in Budapest presented to the Budapest City Council's Executive Committee, 3 Jun. 1954, BFL XXIII.102.a/1d. 91–2.

<sup>66</sup> In the period 1953–5, wholesale prices of building materials remained relatively constant. See KSH, *Áralakulás Magyarországon 1938–Ban És 1949–1955–Ben* (Budapest: Központi Statisztikai Hivatal, 1957), 12.

<sup>67</sup> The practice was called *kaláka* (reciprocal labour exchange) and had a long tradition in Hungary; see Molnar, 'In Search of the Ideal Socialist Home in Post-Stalinist Hungary', 75–6.

lamented that, even then, this price would be largely beyond 'ordinary' workers' reach. Budapest party authorities reckoned that the fact that until June 1954 predominantly 'people in executive roles, Stakhanovites, and artists' took advantage of the programme confirmed this assertion.<sup>68</sup>

While, in early 1954, the scheme's media campaign invoked optimism, public mood quickly worsened upon the recognition that building costs were simply too high and were continuously rising on the informal market amid conditions of the shortage of building materials in state depots. Between 1954 and 1956, citizens complained nationwide that constructing a home privately in cities cost double the OTP's credit ceiling. Workers at Békéscsaba spoke of credits 'resignedly' upon learning that, even if they were granted the maximum credit allowance, they would still be unable to cover overall building costs for an 80,000 forints home on average.<sup>69</sup> People complained that high building costs 'made it impossible for a worker to build [privately], considering that [workers on average] earn [ed] between 600–800 forints maybe 1,000 forints per month'.<sup>70</sup> People with children were especially disadvantaged to such an extent that authorities even dissuaded them from participation in the programme.<sup>71</sup>

Mrs Mihály Molnár's family's experience with the self-build programme in the village of Lesencetomaj was representative of many impoverished workers' households.<sup>72</sup> In May 1954, Mrs Molnár complained to the newspaper *Hungarian Nation* (*Magyar Nemzet*) about the various challenges encountered in trying to participate in the home construction programme. Mrs Molnár lived with her two children, a nine-month-old baby and a school-aged boy, while her husband, the breadwinner of the family, worked as a lorry driver 160 km away in the Rákosi regime's industrial model city of Sztálinváros (Stalin City). The family lived off a monthly income of 1,600 forints, which was 300 forints short of meeting the poverty-line estimate for a family of four. Nevertheless, despite being severely impoverished, the Molnár family decided to participate in the scheme. Soon, however, they realised that even if they were to cut back consumption further, building a home remained out of their reach. Mrs Molnár argued that it was not only the general unavailability of plots which hindered construction but also high building costs, which doubled as soon as the party announced the scheme in the news.<sup>73</sup> Tapolca Constructors' Cooperative (*Tapolcai Kisipari Termelő Építő Szövetkezet* [sic]), for instance, quoted the Molnár family 50–55,000 forints to construct a two-bedroom home. A few weeks later, the same cooperative told them that not even 70,000 forints would be enough due to price hikes of building materials. Mrs Molnár was even told that wood materials would have had to be purchased separately by her family due to shortages. Furthermore, Mrs Molnár complained that service fees for skilled labourers, such as joiners, carpenters and tinsmiths, had also doubled relative to the previous year. For instance, only for masonry works, excluding costs of building materials and transportation, Mrs Molnár was quoted 15–16,000 forints. In the previous year, the same job would have cost her family 6–7,000 forints. Mrs Molnár deemed that not even with credits and the saving of a further 1,000 forints from the family income each month could they afford to build a

<sup>68</sup> Budapest Party Committee's Industry and Transport Department's information report about the self-build programme, 3 Jun. 1954, BFL XXXV.95.d/37d. 257. ő. e. 3.

<sup>69</sup> Békéscsaba stokehole workers' letter, 30 Apr. 1954, MNL OL XIX-D-4-i/174d.

<sup>70</sup> Péter Tengeri's letter, MNL OL XIX-D-4-i/178d.

<sup>71</sup> Pál Leibenbach's letter, 21 May 1956, MNL OL XIX-D-4-i/176d.

<sup>72</sup> This is based on the *Szakszervezetek Országos Tanácsa* (National Council of Trade Unions; SZOT) report from July 1956 which estimated that 30–35 per cent of workers' households lived below the poverty threshold in 1955. SZOT's report found that the ratio of earners to dependants conditioned workers' degree of poverty. For example, SZOT estimated that single-earner families, even with only one child in 1955, generally fell below the poverty line. See SZOT's information report about workers' subsistence costs, 23 Jul. 1956, MNL OL M-KS 276. f. 66. cs. 36. ő. e. 31.

<sup>73</sup> In Oct. 1957, the Communist Party's *Államgazdasági Osztály* (State Economic Department) argued that already before 1957, self-builders often 'speculated' with building materials. This was fostered by the government's inability to provide building materials in sufficient quantities to the public. In 1957 alone, supplies only covered around 27 per cent (15,000–20,000 homes) of self-build homes' roofing materials' requirement (64,000 homes). See the State Economic Department's report about speculation, corruption and other forms of economic transgression and the various measures the party planned to adopt to curtail them, 24 Oct. 1957, MNL OL M-KS 288. f. 23. cs. 1957. 1. ő. e. 182.

home privately. In response, VKgM offered no effective help and encouraged Mrs Molnár to build collectively by joining other applicants so '[they could] save huge amounts of labour costs [and] this way construction costs are 20–25 per cent cheaper than building using craftsmen who can be difficult to supervise or perhaps *kontárs* [artisans working without a permit] who don't even have qualifications'.<sup>74</sup>

In order to mitigate rising labour costs, both VKgM and the media consistently urged people to construct either through family support or together with other applicants in brigades to alleviate the financial burden of home construction. Soon, however, councils learned that not even in brigades could most workers afford participation. Workers' general impoverishment became evident through the case of the Goldberger Textile Plant (*Goldberger Textilgyár*) workers who co-applied for credits. Newspapers saw the Goldberger case's potential in promoting the regime's welfare propaganda and reported repeatedly about the Goldberger brigade's building progress.<sup>75</sup> While, in February 1954, newspapers spoke of seventy-six applicants in the Goldberger factory, by May, this number had fallen to thirty-nine. *Evening Budapest (Esti Budapest)*, for instance, dramatised events by reporting that one applicant left the council with 'cried-out eyes' after the council rejected his/her application. *Evening Budapest* blamed authorities for deserting workers in the execution of the 'government programme'.<sup>76</sup> On 22 April 1954, János Baranyai, Vice-Chairman of Budapest City Council's Executive Committee, reported that the Goldberger workers applied with 1,500 forints cash or about the same value in building materials on average. The council's Plot Allocation Committee told an applicant who possessed only 2,500 forints cash and 980 forints monthly income that 'in his/her own interest, we cannot let him/her commence construction'. In return, the person in question 'sprang up furiously and left the committee'. Baranyai thought that if it were his decision, '[he] would have allocated a plot only to one applicant out of the twenty because s(he) sold his/her house in the countryside thus s(he) had 30,000 forints available [in cash]'. In Baranyai's view, the Goldberger case 'was not promising', but deemed the OTP's 'rigour' in credit checks 'to be a good sign [in turning down applicants with poor credit ratings]'.<sup>77</sup>

By November 1954, the Goldberger case had revealed several key issues that people nationwide experienced with the private construction scheme. Zoltán Koppány, the home-construction brigade-leader at the Goldberger Plant, informed the Council of Ministers in a private letter that his brigade was about to be disbanded immediately by its own members. Koppány reported that forty-one houses had been under construction until November 1954. While acquiring building materials 'made many workers almost neurotic', the factory's provision of transportation to workers 'developed into a prosecutor's case'. The prosecutor's office accused the factory leadership and Koppány himself of embezzlement for undercharging or not charging workers any service fees at all. Koppány explained that no one even knew what the cost price was at the time. In Koppány's view, the prosecutor's 'harassment' and 'vilification' 'caused uneasiness among workers' and impeded construction.<sup>78</sup>

Apart from building costs, the heavily-subsidised rates on which lands were sold further exacerbated inequalities elicited by the self-build programme. Between February 1954 and March 1955, land prices were set at four forints/*négyszögöl* (one *négyszögöl* equals about 3.6 square metres) in villages, 6–10 forints in cities, and 8–12 forints in Budapest.<sup>79</sup> These rates were

<sup>74</sup> Mrs Mihály Molnár's complaint about private construction, 19 May 1954, MNL OL XIX-D-4-i/176d.

<sup>75</sup> For instance, see 'A Goldberger-gyárban munkaközösség alakult a családi házak építésére', *Esti Budapest*, 16 Feb. 1954, 1; 'A Goldberger-gyár dolgozói brigádokban építik fel a családi házukat', *Népszava*, 17 Feb. 1954, 4; 'Nagy az érdeklődés országsszerte a családiházépítés iránt', *Magyar Nemzet*, 17 Feb. 1954, 4; 'Segítsék az üzemi bizottságok a családi-ház építési akciót', *Munka*, 1 Mar. 1954, 35; 'Munkaközösség – családiház építésére', *Szabad Nép*, 8 Mar. 1954, 2; 'Új "falu" épül – Budapesten', *Szabad Ifjúság*, 20 Feb. 1954, 2.

<sup>76</sup> 'A családiházak építéséről', *Esti Budapest*, 6 May 1954, 3.

<sup>77</sup> The Vice-Chairman of Budapest City Council Executive Committee, József Baranyai's report on plot allocation in Budapest presented to the Budapest City Council's Executive Committee, 22 Apr. 1954, BFL XXIII.102.a/1d. 128–9.

<sup>78</sup> Zoltán Koppány's letter to the Council of Ministers, 18 Nov. 1954, MNL OL XIX-D-4-i/176d.

<sup>79</sup> VKgM and PM Decree No. 1. of 1954 in *Magyar Közlöny*, X. (28 Feb. 1954), 80.

slightly increased in March 1955 to 4–6, 6–10, and 10–12 forints in villages, cities and Budapest, respectively. Free-market prices of plots, meanwhile, stagnated at around 50–60 forints/*négyszögöl* in the period.<sup>80</sup> Councils sold an average size of 200 *négyszögöl* plot in cities for a flat rate of 2,000–2,200 forints irrespective of location. Meanwhile, depending on location, a similarly sized plot's real 'market' value averaged 11,000 forints in the period. On the one hand, heavily subsidised lands amid plot shortages came to be advantageous for applicants of high levels of social capital, such as distinguished workers, managers of public enterprises and privileged intellectuals, who often managed to secure plots through personal connections in higher market-value places.<sup>81</sup> On the other hand, the system made way for speculation with land to develop. For instance, in various villages in Hajdú-Bihar County, people requested plots from councils only to resell them for 4,000–5,000 forints on the 'market'.<sup>82</sup> Although, in April 1955, Hajdú-Bihar County Council reported that a legal reform brought the practice to an end, in October 1955, Szeged City Council lamented that 80 per cent of plots allocated in the city's 'nicest quarter' for 1,000–1,200 forints were resold for 10,000–12,500 forints on average.<sup>83</sup> These practices gave further excuses to communist hardliners within the party to oppose the home construction programme on account of the scheme's lack of 'class policy'.<sup>84</sup>

While the inaccessibility of the scheme left workers disillusioned with the promises of Imre Nagy's New Course, wealthier citizens whom councils considered to have benefited from the programme also turned increasingly distressed as the lack of available plots, building materials and credits became severe obstacles to delivering constructions to a deadline. These aspects will be addressed in the following section to show how popular discontent developed directly with the home construction programme and indirectly with the state, due to the regime's failure to remove barriers from the way of self-provisioning prior to the 1956 revolution.

### Constructing Homes in an Economy of Shortage

Between summer 1953 and the October revolution of 1956, the regime vacillated between constructing a new comprehensive strategy to manage monetary excess or a return to Stalinist practice of the 1948–53 period. While, after summer 1953, the reform faction of the party expected excess money to stimulate production and further economic liberalisation, the hardliners would have halted reforms and welcomed a return to coercive measures to reduce households' purchasing power.<sup>85</sup> Due to this tension, various economic anomalies arose that citizens experienced in the implementation of the home construction programme from January 1954.

For instance, up until June 1954, in industrial and densely populated areas, the plot question was the most pressing issue for councils to alleviate.<sup>86</sup> In Budapest, where district councils received the highest number of applications nationwide, the allocation of building plots was especially complicated

<sup>80</sup> VKgM Decree No. 1. of 1955 in *Magyar Közlöny*, XI. (26 Mar. 1955), 209.

<sup>81</sup> Budapest City Council Executive Committee's discussion of Budapest City Council's Urban Planning and Architecture Department's report about determining unit prices of plots, 13 Oct. 1955, BFL XXIII.102.a/1d. 168.

<sup>82</sup> Hajdú-Bihar County Council's City and Village Management Department's letter to Ferenc Nezával, Deputy Minister of VKgM, 13 Apr. 1955, MNL OL XIX-D-4-i/174d.

<sup>83</sup> Szeged I District Council's City and Village Management Department's letter about the appropriation of unused land, 31 Oct. 1955, OL XIX-D-4-i/174d.

<sup>84</sup> Budapest City Council Executive Committee's discussion of Budapest City Council's Urban Planning and Architecture Department's report about determining unit prices of plots, 13 Oct. 1955, BFL XXIII.102.a/1d. 159–176.

<sup>85</sup> Rainer, *Nagy Imre 1953–1958*, 65–80.

<sup>86</sup> In the major industrial town of Miskolc, in Mar. 1954 the council reported that due to the high number of requests for loans, the council had been unable to satisfy demand due to the lack of plots. See the Chairman of Miskolc City Council's letter, 24 Mar. 1954, MNL OL XIX-D-4-i/174d. In Zala County, meanwhile, the county council experienced no delays in the scheme's implementation until Apr. 1954 only because applicants in the area proposed to use private land for construction. See Zala County Council's report about allocated plots and construction permits, 3 Apr. 1954, MNL OL XIX-D-4-i/174d.

due to the scarcity of suitable land.<sup>87</sup> In the XI District of Budapest, the council's impotence became evident when authorities could only allocate plots by involving applicants in establishing utility works through 'social work' (*társadalmi munka*), that is, unpaid after-hours labour. For instance, applicants agreed to dig out a 120–40-metre line ditch at one site to help lay water lines. Building sites, however, were also difficult to access due to poor road conditions. The lack of utilities on building sites was prevalent all over Budapest; however, the practically flat rate of land prices prevented councils from differentiating by plot values. For instance, until 18 May 1954, only 28 per cent of building sites were equipped with utilities, while 37 and 35 per cent had no sewage or any utilities at all, respectively, of the total 1,258 available sites (consisting of 1,790 plots) in Budapest.<sup>88</sup> Even these sites contained erected buildings and were often heavily littered, increasing applicants' plot preparation costs before construction.<sup>89</sup>

Until June 1954, Budapest district councils allocated only a small proportion of available land. Applicants rejected designated plots on account of unfavourable location, poor road conditions and lack of utilities.<sup>90</sup> For instance, Ferenc Markalt claimed that had he accepted his allocated land, his building expenses would have been 100 per cent higher due to his plot being on a 45–50 degree slope.<sup>91</sup> In November 1955, István Völgyi complained to IV District Council about the poor condition of his purchased land:

What I got was not a plot but a rubbish dump. I had to get rid of the rubbish myself. The street has only just been arranged, but you promised this [to take place earlier]. Do not just promise but take action. We have had enough of promises.<sup>92</sup>

As discontent with the programme loomed large, Csongrád County authorities '[could not] understand' why the government prevented the appropriation of unbuilt private plots allocated in the postwar 1945 land reform and after from private owners who had been incapable of erecting a home within five years of receipt of land for use in the scheme. The council deemed the programme's execution would be impossible without implementing this measure. In a desperate letter, authorities reasoned as follows:

The process of house-building was hindered so much by the fact that the above problems [the unavailability of plots] could not be resolved that we request that they be sorted out, because without that we cannot take responsibility for any further time slippage; in the absence of offers of concrete help, a very negative atmosphere rules in many places in the villages . . .<sup>93</sup>

Having received complaints about prevailing issues with plot availability, in June 1954, the Council of Ministers eventually permitted councils to acquire unbuilt private plots.<sup>94</sup> Nevertheless, plot shortages remained a concern for Budapest district councils, at least until the quasi-market reform of the plot allocation system in summer 1957.<sup>95</sup>

The unavailability of building materials and credits posed a further obstacle to the few who fared favourably in the councils' vetting process. Between February and May 1954, Győr-Sopron, Veszprém

<sup>87</sup> MNL OL M-KS 276. f. 53. cs. 161. ő. e. 44.

<sup>88</sup> Calculated from BFL XXXV.95.d/37d. 257. ő. e. 7.

<sup>89</sup> XI District Council's Construction and Transportation Department's report on private home build, 30 Sept. 1954, BFL XXIII.211.e/79d.

<sup>90</sup> The Vice-Chairman of Budapest City Council Executive Committee, József Baranyai's report on private home build in Budapest presented to the Budapest City Council's Executive Committee, 3 Jun. 1954, BFL XXIII.102.a.1. 91.

<sup>91</sup> Ferenc Markalt's application for participation in the self-build programme submitted to XI District Council, 23 Mar. 1954, BFL XXIII.211.e/80d.

<sup>92</sup> István Völgyi's application for participation in the self-build programme submitted to IV District Council, 30 Nov. 1955, BFL XXIII.204.f/71d.

<sup>93</sup> Csongrád County Council's City and Village Management Department's letter about issues concerning ongoing private constructions and plot allocations, 25 Mar. 1954, MNL OL XIX-D-4-i/174d.

<sup>94</sup> MT. 1.045/1954 (VI. 23.) resolution about unbuilt plots allocated in the land reform of 1945 or later, MNL XIX-D-4-i/8d. Also see in *Magyar Közlöny*, X. (23 June 1954), 244–5.

<sup>95</sup> Ferenc Lengyel's plot revocation case, 1 Aug. 1956, MNL OL XIX-D-4-i/176d.



and Tolna County Councils reported unexpectedly high interest in the scheme and requested the government to either increase their credit quotas or suspend the scheme temporarily to preclude widespread dissatisfaction. Councils deemed their inability to satisfy popular demand a potential threat to Nagy's 'government programme'.<sup>96</sup> In August 1954, Budapest councils warned that the OTP's credit quota was about to be 'depleted'.<sup>97</sup> For instance, István Csörgő's loan had only been disbursed in August 1955, more than a year after his application's approval in May 1954, due to the 'depletion of the OTP's financial envelope'. Regardless of available credits, however, Csörgő commenced building his home through private funds. Even in this exceptionally favourable scenario, Csörgő had to apply for an extension to his contract due to the unavailability of skilled labour and shortages of building materials.<sup>98</sup>

In the countryside, builders fared even worse. In Győr-Moson County, by 29 April 1954, councils received applications to the value of 15 million forints which the county's annual quota of 8.4 million forints failed to cover. The county requested the scheme's suspension if VKgM could not raise the county's credit allowance. County authorities asserted that it only made sense to keep accepting applications if 'the probability of approving credits can be secured at least to a minimum level'.<sup>99</sup> In Tolna County, by 27 May 1954, the OTP only credited loans to forty-eight applicants to the worth of 1.2 million forints when authorities reported the county's credit quota for the financial year of 1954 had been depleted. In May 1954, Tolna County Council Executive Committee warned that the number of applicants was on the rise and many had already sold their possessions to cover the deposit in order to be eligible for loans and 'there would be really serious political harm' if councils could not fulfil individuals' requests.<sup>100</sup> Councils generally took a pro-active stance in helping citizens to facilitate the timely finish of construction but overwhelmingly along 'profitability' principles.<sup>101</sup>

Although the Nagy government promised to make building materials available for private construction, continuous shortages of brick, wood, cement, lime, roof tiles and other essential building materials made private construction difficult or even impossible at times.<sup>102</sup> Throughout 1954, 1955 and 1956, councils nationwide reported to VKgM that the unavailability of building materials influenced 'workers' satisfaction' with local councils.<sup>103</sup> By May 1954, Budapest depots' brick sales exceeded the second quarter's quota by 90 per cent. Meanwhile, only 10 per cent of the required wood was available for erecting 2,500 homes planned in 1954.<sup>104</sup> In summer 1954, homebuilders in the XI District could only purchase brick 'bit by bit' due to perpetual shortages. This made the transportation of building materials onto sites 'almost impossible'. Even when builders successfully acquired materials in

<sup>96</sup> For example, see Győr-Sopron County Council's City and Village Management Department's request of urgent increase of the county's self-build credit quota, 29 Apr. 1954, MNL OL XIX-D-4-i/174d; Veszprém County Council's Construction Department's letter about plot allocations in Keszthely, Balatonfüred and Várpalota, 2 Feb. 1954, MNL OL XIX-D-4-i/174d; and the Chairman of Tolna County Council's Executive Committee's letter about the termination of the self-build programme, 27 May 1954, MNL OL XIX-D-4-i/174d.

<sup>97</sup> László Fehér, Deputy Head of the Department of Budapest City Council's Architecture Department's letter to IV District Council's Architecture Department, 23 Jul. 1954, BFL XXIII.204.f/35d.

<sup>98</sup> István Csörgő's application for participation in the self-build programme submitted to IV District Council, 10 Aug. 1956, BFL XXIII.204.f/58d.

<sup>99</sup> István Téli, Head of Department of Győr-Sopron County Council's City and Management Department's request to VKgM about 'urgently' raising the county's credit quota, 29 Apr. 1954, MNL OL XIX-D-4-i/174d. 'Sürgős kérelem a családiház építési kölcsön keretének felemeléséhez (1954. április 29)'.  
<sup>100</sup> The chairman of Tolna County Council's Executive Committee's letter about the termination of the self-build programme, 27 May 1954, MNL OL XIX-D-4-i/174d.

<sup>101</sup> Iván Jóry, Deputy Head of Department of XI District Council's Construction and Transportation Department's report on private home build, 14 Aug. 1954, BFL XXIII.211.e/79d.

<sup>102</sup> János Szabó, minister of VKgM's comment to the Councils of Ministers' debate on the question of purchasing power, 16 Mar. 1954, MNL OL XIX-A-83-a/523.jkv. 11.

<sup>103</sup> Győr County Council's report about building materials shortages, 12 Jun. 1954; Lenti District Councils' request of building materials, 6 Jun. 1956; Törökszentmiklós City Council's report about building materials shortages, 20 Jul. 1956, MNL OL XIX-D-4-i/174d.

<sup>104</sup> The Vice-Chairman of Budapest City Council Executive Committee, József Baranyai's report on private home build in Budapest presented to the Budapest City Council's Executive Committee, 3 June 1954, BFL XXXV.95.d/37d. 257. ó. e. 4.

Budapest, the Freight Transport Enterprise (*Teherfuvarozási Vállalat*) only acceded to undertake transport for the public on weekends. The council argued that, despite the Nagy regime's support of private construction, TŰZÉP depots continued to favour the state sector, making the construction of private homes difficult.<sup>105</sup>

### Domestic Policy Change and the Reversal to Constraining Private Initiatives

Between early 1955 and the October revolution of 1956, the unavailability of building materials and issues with granting credits worsened due to the Soviet leaders granting support to the hardline faction of the Hungarian party. On 12 January 1955, the Soviet leaders denounced Nagy for disclosing Hungary's economic situation to the public.<sup>106</sup> Molotov asserted that, while 'crisis' might have been too strong a word to use, Hungary's economic and political situation was certainly 'very serious': 'Had there not been the neighbouring Soviet Union and the other friendly countries to come to Hungary's aid, we could not hold such debates. Hungary's people's democracy would not survive much longer.'<sup>107</sup> At the meeting, the Soviet leadership sided with Rákosi and called for an end to the New Course. Subsequently, in March 1955, Nagy was replaced with Rákosi's puppet András Hegedűs as premier, while Nagy was marginalised, and later even removed from the party.

The government reverted to constraining private initiatives and the profitability of private farming in the interest of the nationalised sector and the industry.<sup>108</sup> It increased the weight of 'class policy' in estimating councils' credit quota and constrained the free sale of building materials. Consequently, from 1 April 1955, technically peasants, but practically all citizens, could purchase building materials only in exchange for fodder grain, such as maize, through the system of state purchase (*állami szabadfelvásárlás*).<sup>109</sup> Through this measure, hardliners centred around Rákosi aimed to increase 'discipline' in the area of agricultural deliveries which party propaganda argued to have loosened due to the 'right-wing deviation' (*jobboldali elhajlás*) of the Nagy government.<sup>110</sup> Miners objected to the decree's irrationality and asserted that 'maize does not grow underground'. Furthermore, they asserted that the government practically cut off their legal channels to acquire building materials.<sup>111</sup> Similarly, Sándor Vékony asked, 'How should a schoolteacher have maize?'<sup>112</sup> József Toki, a post office delivery-man, even questioned the 'forint's stability' and pondered whether he should invest his money in maize rather than keep his savings in an account at the OTP.<sup>113</sup>

In terms of credits, from early 1955, the regime prioritised cities and industrial districts over agricultural areas. Consequently, in February 1955, the situation turned so severe in the overwhelmingly agricultural county of Szabolcs-Szatmár that the county's quota for the 1955 financial year could not even cover applications approved in the previous year. The county council argued that this had 'worsened the public mood'. The OTP deemed that, even if the country's loan quota were increased, the regime's priority on industrial areas would prevent evaluating applications from Szabolcs-Szatmár County favourably. Instead, the OTP advised county authorities to prioritise applications with the highest degree of self-contribution, both in terms of cash and building materials, to minimise the need for state assistance.<sup>114</sup>

<sup>105</sup> József Baka, Head of Department of XI District Council's Construction and Transportation Department's report on the status of private construction, 12 July 1954, BFL XXIII.211.e/79d.

<sup>106</sup> Rainer and Urbán, 'Konzultációk', 146.

<sup>107</sup> *Ibid.*, 143.

<sup>108</sup> On the political context of changes, see Rainer, *Nagy Imre 1953–1958*, 110–24.

<sup>109</sup> The chairman of the National Planning Bureau's report on measures to accelerate the purchase of corn, fodder grain and bread grain presented at the Council of Ministers' meeting, 23 Mar. 1955, MNL OL XIX-A-83-a 550323/7/a.jkv.

<sup>110</sup> 'A mezőgazdaság szocialista átszervezésének és a mezőgazdasági termelés fellendítésének további feladatai', *Szabad Nép*, 11 June 1955, 2.

<sup>111</sup> Report of OTP's Home Construction Department, 10 Nov. 1955, MNL OL XIX-D-4-i/174d.

<sup>112</sup> Sándor Vékony's letter to VKgM, MNL OL XIX-D-4-i/178d.

<sup>113</sup> József Toki's complaint about building materials shortages, Apr. 1955, MNL OL XIX-D-4-i/178d.

<sup>114</sup> Szabolcs-Szatmár County Council's letter to VKgM about providing OTP credits for private home build, 18 Feb. 1955, MNL OL XIX-D-4-i/174d.

In November 1955, the OTP reported that only 46 per cent of successful applicants drew on credits made available to them against the previous year's 61 per cent of the same period. The OTP evaluated that the government block on building materials must be blamed for this 'fallback'.<sup>115</sup> In July 1955, Debrecen City Council Executive Committee explained that shortages of credits and building materials prevented delivering constructions to a deadline. As a result, numerous houses stood without roofs. Authorities feared that the coming seasons would damage these homes permanently. In Debrecen, the council's impotence became increasingly evident when 250 workers from the Vehicle Repair Enterprise (*Járműjavító Vállalat*) applied for loans. However, building material shortages compelled the council to turn these applications down.<sup>116</sup>

In March 1956, a Council of Ministers' report clarified that while 'workers evaluated the relatively better provisioning of peasants unfair', 'peasants objected to long delivery times on industrial products'. Moreover, the report found that the decree intensified bureaucracy and rendered the 'population's mood not satisfactory'. The measure even encouraged 'speculation' because workers regularly purchased fodder and sold it in exchange for building materials which then they sold on to realise 'considerable' profit.<sup>117</sup> In March 1956, the Council of Ministers discussed how blocking the sale of building materials 'had done more harm than benefit', and it had to be revoked with effect from 31 March.<sup>118</sup> However, even after April, councils frequently complained about the ramifications of the system nationwide. Meanwhile, in July 1956, VKgM and the Ministry of Domestic Trade (*Belkereskedelmi Minisztérium*) claimed that they only heard about the system's abolition 'non-officially'.<sup>119</sup> In summer 1956, VKgM acknowledged that the government decree of blocking the sale of building materials was presented to the ministry as a *fait accompli* 'with respect to greater considerations'.<sup>120</sup> By September 1956, VKgM even suggested to complainants that comprehensive reforms were unlikely and that the government only planned to abolish the rationing of building materials 'in the near future' and considered introducing a new system of reservation instead.<sup>121</sup>

Simultaneously, as public fury with the self-build programme intensified, by summer 1956, even local authorities began to question the rationality of the credit allocation system. For instance, in September 1956, the chairman of Győr-Sopron County Council Executive Committee, no less, explained in a long letter that earmarking and dividing their county's credit quota among ministries, and especially prioritising workers employed at enterprises under the umbrella of the Ministry of Metallurgy and Machinery Industry (*Kohó- és Gépipari Minisztérium; KGM*), were nonsensical. The chairman argued that numerous workers employed in non-prioritised sectors (such as in local industry and council enterprises) had their applications rejected, although they qualified for loans. Meanwhile, however, 1.5 million forints remained unused on KGM's account. In ending their letter, the chairman of Győr-Sopron County Council directly challenged the communist tenet of 'democratic centralism' by asserting that, 'Besides our delegated tasks, now we are requesting the right to break down credit quota on a county level with reference to actual needs.'<sup>122</sup>

While the inefficient private home construction scheme alone could not have effected political change, it did reveal the political leadership's inability to move towards a differentiated view of

<sup>115</sup> Report of OTP's Home Construction Department, 10 Nov. 1955, MNL OL XIX-D-4-i/174d.

<sup>116</sup> The deputy of Debrecen City Council's Executive Committee's letter on facilitating private home build in Debrecen, 14 Jul. 1955, MNL OL XIX-D-4-i/174d.

<sup>117</sup> The Council of Ministers' resolution on settling the supply of industrial goods in exchange for the state purchase of agricultural produce campaign, MNL OL XIX-A-83-b 3232/1956. 8.

<sup>118</sup> The Council of Ministers' resolution on settling the supply of industrial goods in exchange for the state purchase of agricultural produce campaign, 17 Mar. 1956, MNL OL XIX-A-83-b 3232/1956. 2.

<sup>119</sup> Pest City Council's request about the abolishing of the supply of industrial goods in exchange for the state purchase of agricultural produce campaign, 2 July 1956, MNL OL XIX-D-4-i/174d.

<sup>120</sup> Pest City Council's request to abolish the industrial goods-agricultural produce exchange campaign, 2 Jul. 1956, MNL OL XIX-D-4-i/174d.

<sup>121</sup> József Tóth's building materials request, 7 Apr. 1956, MNL OL XIX-D-4-i/178d.

<sup>122</sup> Sopron County Council's 'observation' about the splitting of OTP credit quota, 4 Sept. 1956, MNL OL XIX-D-4-i/174d.

ownership in which private resources could complement state initiatives. By autumn 1956, however, as political changes were already in the making, the private construction scheme clarified to both citizens and authorities that it was not merely the scheme but the political establishment that needed reforms.

## Conclusion

This article has argued that the private sector, private ownership and credits had far more dominant roles in influencing the political legitimacy of socialism in Hungary before the revolution of October 1956 than previously acknowledged. It has shown that citizens not only resented poor living conditions and the regime's unfulfilled promise of communist prosperity under the Rákosi years but the regime's suppression of private initiatives in self-provisioning prior to the 1956 revolution. Paradoxically, while the Rákosi regime's nationalisation of economic resources concentrated unprecedented economic power in the hands of the state, by 1953, the regime's neglect of public opinion and welfare increasingly undermined the social basis of state power. In the early 1950s, declining welfare indicators – as the party-commissioned research into the economic conditions of workers in autumn 1953 confirmed – became most palpable to a wide array of society through the housing crisis. The new Imre Nagy government, however, remained incapable of financing changes immediately. Therefore, in January 1954, the Political Committee agreed to involve the private sphere in financing private home builds. The introduction of the private home as an incentive, however, attracted popularity beyond the regime's expectations, leading to unexpected consequences that increasingly undermined the regime's ideological basis of Marxism–Leninism.

As unprecedented demand for credits compelled the leadership to increase 'profitability' considerations in councils' vetting process, the scheme proved that the programme was only accessible to the relatively wealthy and, even for them, a relatively great effort had to be exerted to negotiate the socialist economy of shortage. This realisation not only pushed a large group of impoverished workers further away from the system, but the various obstacles prevailing in the scheme's execution even antagonised the apparent beneficiaries of loans, that is, the traditional communist elite of Stakhanovites, privileged intellectuals, and low- and mid-level managers of public enterprises. While after the revolution of 1956, the Kádár regime's propaganda insisted that post-revolution welfare reforms were independent of the uprising and their design had already been underway since the demotion of Rákosi as first secretary in July 1956, the article showed that by autumn 1956 the regime was incapable of administering reforms and only the final blow of public revolt forced the regime to reform the self-build programme.

After 1957, the self-build programme became a centrepiece of communist housing policy in Hungary. In the first fifteen-year home-build programme introduced in 1961, the Kádár regime promised to build one million homes through a mix of public (60 per cent) and private (40 per cent) sources. Propaganda promoted this ambitious objective to boost the regime's economic legitimacy based on the promise of continuously increasing welfare. By the end of the programme in 1975, propaganda heralded that the regime delivered its promise and even surpassed the plan by 50,000 new homes. Party reports, however, revealed that the share of sources funding the plan reversed initial expectations in favour of private sources (66.3 per cent) in completed home builds.<sup>123</sup> One commentator after the system change of 1989 summarised this paradox in the following way:

From Monday to Friday, using modern house factory technology, an enormous amount of capital and labour, [the state] built approximately 340,000 homes in Hungary during 15 years. [Meanwhile], on Saturdays and Sundays, citizens, with their bare hands, using outdated technology, brick by brick, built 680,000 new homes in the shadow economy.<sup>124</sup>

<sup>123</sup> The share of state-financed homes within total home build averaged 32–35 per cent. See the OTP's report about the objectives of home builds for the 1981–90 period drafted for internal use, Jul. 1977, MNL OL XXIX-L-3-g/9d. 2.

<sup>124</sup> Péter Szirmai, 'Gazdaság Szürkületben', *Magyar Hírlap*, 4 Dec. 1992, 1.

Instead of building a communist utopia premised on the ideological superiority of public ownership, by 1975, it increasingly became evident that only through the further involvement of untapped private resources could the state satisfy demand for housing. While the Kádár regime's reformed ownership policy helped strengthen the economic legitimacy of the state, by the end of the 1980s, this practice simultaneously undermined the ideological basis of communism in Hungary.

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