Economic Trends in Eastern Europe

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With the end of the war, the Soviet "buffer" countries. entered a period of political, economic and social paroxysms, which was far from ended with the constitution of the governments known as "people’s democracies." To be able to esti.mate the real significance of the transformations undergone by these countries during the last two years, it is first of all necessary to know the facts. Now, working-class public opinion in general is unfamiliar with the economic evolution of these countries regardless of whether it is deceived by the will-of-the-wisps of Stalinist propaganda or whether it accepts preconceived schemas as conforming to the truth. That is why we believe it to be useful to assemble as much data as possible on the economic evolution of the "buffer" countries which can serve as the basis for a Marxist evaluation of the recent transformations experienced by these countries.

It is necessary, however, to preface this exposition with two notes of caution. We have deliberately excluded from this study all facts relating to the economy of Finland and Albania which formally should be included among the "buffer" countries. As far as Albania is concerned, the extremely backward character of this small country creates economic problems for it which bear only the remotest resemblance to those confronted by the other countries of Eastern Europe. Finland, although tied by a 20-year mutual assistance and friendship pact and by clauses in the armistice to the Soviet zone of influence, also has gone through a very special evolution. During the summer of 1948 this led to the elimination of the Stalinists from the government and to the formation of the homogeneous and minority government led by the Social Democrat, Fagerholm. Since then Finland has passed through a violent social crisis which calls to mind the one in France and Italy and deserves a separate study. In any case, it does not enter into a study of relatively parallel tendencies of development in the six other "buffer" countries.

Our second note of caution relates to the validity of the data. We have tried to keep strictly to official and semi-offiicial sources, that is in general those of a Stalinist or Stalinophile character. But the objectivity of the statistics and economic references of a country is in direct ratio to its general cultural level and in inverse ratio to the economic difficulties it experiences ; and both because of incompetence as well as self-interest, the governments of the "buffer" countries are incapable of presenting complete and verifiable facts. It is necessary therefore to take all the figures we adduce with reservations and never to lose sight of the fact that the essential elements of economic reality can elude a study based upon official figures since the latter simply conceal all evidence concerning economic reality.

The principal scourge which has visited the economy of the countries in the Soviet "buffer" zone since the end of the war is inflation. The inflationist tendency of their economy was already manifest during the war as a consequence of the enormous cost of armaments, of the occupation and of the devastation experienced in one form or another in these six countries. The following table shows the huge expansion of money in circulation :

CURRENCY INFLATION
June 1939 and Dec. 1945

(in millions)

Date	Bulgaria	Hungary	Poland	Rumania	Czechoslovakia	Yugoslavia
June 1939	[illegible]	88	[illegible]	58	10.7	6.9
Dec. 1945	[illegible]	[illegible]	[illegible]	[illegible]	120,000*	35,000*

* April, 1945

This major inflation of the volume of money naturally let loose the train of familiar evils : raising of prices, lowering of real wages, lowering of productivity, scarcity of primary necessities, barter, inventory accumulation by industry and wholesale trade, speculation, flight of capital, etc. Even before the coalition governments, which were formed in these countries after the armistice, could think of remedying this situation a new set of conditions aggravated inflation in most of them and caused a complete monetary collapse. These were the cost of Russian occupation ; the reparations imposed on the countries which had formerly been allied to Nazi Germany ; the extreme dearth of foodstuffs or the famine resulting from the successive crop failures in 1945-46 and in 1946-47 caused by severe drought and floods in all the "buffer" countries (Yugoslavia and Bulgaria were less affected than the others) ; the economic consequences of the first social changes (the first wave of nationalizations and agrarian reform) which, in the beginning, in all these countries caused a stagnation and even a drying up of industrial and agricultural production. Here is an illustration of this in the figures for agricultural production :

PRODUCTION OF BREAD GRAIN

(thousands of tons)

Date	Bulgaria	Hungary	Poland	Rumania	Czechoslovakia	Yugoslavia
1934-38 (aver.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1946	[illegible]	[illegible]	[illegible]	[illegible]	2,437	1,973
1947	2,410	1,690	[illegible]	1,755	1,732	2,300

PRODUCTION OF FORAGE

(thousands of tons)

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1934-38 (aver.)	1,

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5,4

1946	77[illegible]	2,[illegible]	1,[illegible]	1,[illegible]	1,8[illegible]	1,9[illegible]
1947	1,184	3,050	2,127	5,000	1,602	4,595

In face of the enormous volume of money in circulation, the almost complete disappearance of the circulation of commodities resulted in a constant depreciation of money, which in turn became the essential cause for the aggravation of the inflation. Monetary reform thus became an imperative need in all these countries as the point of departure for economic recovery.

They undertook this reform in a hand-to-mouth manner under widely different circumstances, impelled by conjunctural considerations in each of the national economies.

POLAND limited itself to a pure and simple currency conversion in January 1945. Monetary circulation which had reached 26,319,000,000 zlotys in December 1945 climbed to 60,066,000,000 in December 1946 and to 91,483,000,000 in December 1947. It was only in the course of 1948 that a relative monetary stabilization took place. (We will return to this later.)

YUGOSLAVIA undertook a monetary reform after "the liberation" in April 1945. Currency conversion, the confiscation of war profits and the tax on fortunes accumulated during the war reduced monetary circulation at one blow from 350 billion dinars in April 1945 to 6 billion in August 1945.

CZECHOSLOVAKIA, after having passed through an intermediary stage of amalgamating the different currencies in the former Sudeten provinces (annexed by Hitler), in Bohemia-Moravia (former German protectorate) and in Slovakia (formerly an independent state), turned to monetary stabilization in November 1945. Currency conversion was limited to 500 crowns per person and the sum of a month’s wages for all workers and employees in the factories. The remainder was blocked in the form of accounts against the "funds for monetary liquidation" which were progressively unfrozen after an inquiry into the origin of personal fortunes. These "funds" comprised a mass of real goods (goods sold by the enemy, German and Hungarian credit, revenue from a tax on the growth of capital during the war) and, as a result, accounts could be unfrozen without appreciably augmenting monetary circulation. This was fixed at 24,233,000,000 crowns in December 1945, at 45,589,000,000 in December 1946, and at 58,539,000,000 in December 1947 which appeared as relatively normal, given the increase in production.

Runaway Inflation in Hungary

HUNGARY experienced a complete monetary collapse. The exorbitant character of Russian reparations and the enormous costs of occupation played an important role in this collapse. The price index, taking August 31, 1939 as 100, had jumped to 2,431 in October 1945, 41,478 in December 1945, 435,887 in February 1946, 35,798,361 in April 1946, 862,317 million as of June 1-15, 1946, 3,006,254 billion as of Ju*ly* 1-7, 1946 ; 399,623 quadrillion as of July 24-31, 1946.

On August 1, 1946, the Hungarian government took measures for monetary stabilization, abolishing the old currency – the pengo – and replacing it by a new money – the florint. The scope of the inflation had even surpassed that of Germany in 1923 as is very clearly indicated by the rate of exchange which was fixed at :

1 florint to 400,000,000,000,000,000,000,000,000,000 pengos.

The exchange made for all money in circulation at first brought the price level down to around 2 to 2% times the prewar level (in Czechoslovakia, after currency conversion the level of prices was arbitrarily fixed at 3 times the pre-war level). The new currency rapidly stabilized, monetary circulation rose to 375 million florint at the end of August 1946, to 968 million at the end of December 1946 and to 1,992 million at the end of December 1947, which corresponded approximately ta the increase of production.

BULGARIA, although not experiencing a runaway inflation of the same kind as Hungary, saw its volume of currency multiply at the end of 1945 to about 2,500 percent over the pre-war level. Moreover, the situation was complicated by the circulation of treasury bonds bearing 3 percent interest which immediately caused (in line with the well-known economic law, "bad money drives out good") their complete disappearance from circulation and consequent hoarding by the population. The government therefore decided, on March 7, 1947, to initiate the redemption of all notes in the denomination of 200, 250, 500, 1,000, and 5,000 levas as well as all treasury bonds, allowing only 2,000 levas per person, more than half the sum total of the monthly paycheck in the factories.

Contrary to the other "buffer" countries, they committed the fatal error at the time of monetary reform of ordering the closing of stores for two days after the proclamation of the currency reform. This naturally led to a complete disappearance of all prime necessities for many long weeks in the big cities. The Bulgarian government, applying a policy of freezing big monetary fortunes in the form of bank accounts, reduced the total sum of money in circulation from 74,206 million levas at the end of 1946 to 72,684 million at the end of 1947.

RUMANIA experienced a similar evolution to that of Hungary. Monetary circulation of the lei rose from 38,683 million in June 1939 to 1,212,925 million in December 1945, and to 6,117,603 million in December 1946. The rate of exchange for the dollar on the black market which had been 30,000 lei to the dollar at the beginning of 1946 climbed to more than 2 million lei by the middle of 1947. A vast speculation also ensued with gold coin which were minted in 1945. Monetary reform of August 15, 1947 fixed the rate of exchange at 20,000 old lei for one new one. The maximum that could be exchanged varied between 1.5 and 5 million old lei and the remaining notes were blocked without interest. As in Bulgaria, a moratorium was proclaimed. Money in circulation at the end of 1947 rose to 24,536 million new lei.

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Three Common Characteristics.

All these operations have three, important features in common :

(a) They involved violent actions convulsing the life of the whole population and "stabilizing" it at an extremely low level. The immediate interests of the workers were sacrificed to the needs of a "stable currency," the point of departure for economic reconstruction. Later on, we will see the concrete , consequences of this reform on the proletariat of countries like Hungary and Rumania.

(b) In the hands of governments dominated by the Stalinists, monetary reform became a specific instrument for redistribution of national wealth and income. Each time those hardest hit were the hoarders, the well-to-do peasants, black market speculators, the small and middle industrialists who were unable to acquire raw materials, the rentiers, people living from fixed incomes, etc. In some concrete cases, especially in Yugoslavia and to a lesser degree in Hungary, monetary reform was one of the essential instruments of carrying out a virtual expropriation of the middle class which did not flee the country.

(c) Monetary reform concentrated an enormous volume of liquid capital in the hands of the state and automatically gave it control over the entire banking system. The state became the prime regulator and distributor of all industrial credit. In this sense, currency conversion became the effective point of departure for the various hybrid forms of planning introduced one after the other by all the "buffer" countries. At the same time there was concentrated in the hands of the state the initial funds for accumulation and investment permitting the execution of the "plans."

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The First Anti-Capitalist Measures

In 1945-46, Poland, Czechoslovakia, Yugoslavia and to a lesser degree Bulgaria, experienced a first wave of nationalizations which had very clear common characteristics. They were, at the time, the result of the revolutionary upsurge of the proletariat in these countries (occupation of factories later nationalized), the physical disappearance of the former proprietors (the question of German property in countries which had been at war with Germany), and of the pre-war structure of these countries where the state sector was always very important because of the weakness of native private capital.

However, this first wave of nationalizations in all these countries permitted the survival of a very important private capitalist .sector not only in trade and the credit system but also in industry. Thus before the second wave of nationalizations in 1948, 20 percent of Czech industrial production and almost 40 percent of Polish industrial production was accounted for by the- private sector. In Hungary, except for heavy industry in which two-thirds of production was accounted for by stateized enterprises, private industry controlled at least 80 percent of industrial production up to the beginning of 1948. As for Bulgaria, Cyril Lazarov wrote in the central organ of the Stalinist party, **Rabotnitchesko Delo**, October 31, 1948 :

Despite the defeat which was suffered on the economic plane, the capitalist class nevertheless maintained commanding positions in the economic life of the country ... as much in industry as in trade and agriculture. In 1947, the situation in industry took the following form : the share.of the cooperative sector in the total value of production was 11 percent while the private sector rose to 65 percent ... During this year there were 740 persons in our country who accounted for a total income of more than a billion leva.

In Rumania, the whole of industry remained private property save for the stateized National Bank and the various mixed companies or German properties seized by the Russians.

It was only in 1948, and obviously according to a preconceived plan, that a second wave of nationalizations carried out in a purely bureaucratic fashion by decrees in all six countries completely eliminated private capital in the banking sector, eliminating it in large part in the industrial sector and severely curbing it in trade.

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The Second Wave of Nationalization

BULGARIA : Through a decree proposed on December 23, 1947 and later adopted, 7,000 industrial enterprises (practically all industry) were nationalized. Only 500 of these enterprises employed more than 50 workers. All the others were small. The enterprises working with foreign capital (with the exception of the former German properties seized by the Russian state) were included .in the nationalization. The former proprietors were indemnified in principal by state interest-bearing bonds redeemable in 20 years. But all proprietors who had put their factories at the disposal of the police in the struggle against the partisans between March 1, 1941 and the end of 1944, were excluded from this indemnification. So also were those considered foreign agents or spies or those who had participated in political activity against the new regime beginning .with August 1944. In practice, this clause limited the application of indemnification measures to foreign capital. This quasi-total nationalization of industry was accompanied or followed by complete nationalization of the banks and of foreign trade as well as by important measures of nationalization in domestic trade. In the above article in **Rabotnitchesko Delo**, Cyril Lazarov puts the state share of wholesale trade at 64 percent and its share in retail trade at 22.3 percent.

HUNGARY : On April 39, 1948, Parliament passed a law nationalizing all mining’ and metallurgical enterprises and all enterprises engaged in the production and distribution of electric power which employed more than 100 persons. Moreover, certain smaller enterprises occupying key positions in their sector were also nationalized. With the exception of the former German properties seized by the Soviet state, all enterprises in which foreign capital participated up to 50 percent were excluded from nationalization. Indemnification of former proprietors was provided without the limiting clauses applied in Bulgaria, and the Supreme Economic Council immediately gave advances on these indemnities to bourgeois families applying for them.

The over-all result of these nationalization measures is the following -division of the working force employed by Hungarian industry in the various sectors : 73.8 per cent in the state sector ; 5.3 per cent in the communal sector ; 3.6 per cent in the mixed companies ; 18.8 per cent in the private sector. The whole banking system, as well as around 20 per cent of wholesale trade, were later also nationalized.

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Measures Taken in Poland

POLAND : A series of nationalization measures during the years 1947 and 1948 resulted in the increase of the state’s role in the industry of the country from 60 to 80 per cent. However, 40 per cent of building construction was carried on by private firms (**Kurier Godziecny**, July 14, 1948). At the same time, the development of state commerce saw a vigorous rise, especially in 1948, and was the essential means for the stabilization of the prices. On the other hand, the part of private capital in foreign trade which was nil in 1947 has been constantly augmented and now amounts to between 10 and 15 per cent. The total share of the private sector in retail trade is estimated at approximately 70 per cent. Finally, the banking system was completely nationalized by the law of November 12, 1948. The two banks which took the form of joint stock companies after the first banking reform following : the "liberation" were closed. It is true that important private participation is permitted in "The Bank of Foreign Commerce," a joint stock company in which the state, however, holds the major interest.

RUMANIA : In a surprise move on July 11, 1948, the Rumanian government proposed a law providing for important nationalizations and obtaining its passage after a discussion which lasted three hours. As a result of this measure the following were nationalized : all oil companies including those in which foreign capital participated (with the exception of the mixed Soviet-Rumanian company) ; two big factories belonging to the British Unilever trust, the banks, the insurance companies, the railroads, the radio and the telephone companies, the shipping companies and all ships, making a total of 702 enterprises of all types. All factories in the metallurgical industry employing more than 100 workers were nationalized. Similarly for all factories in the lumber industry using more than 20 horsepower and all factories in the textile industry using more than 100 horsepower, etc. The former proprietors are to be indemnified by state bonds redeemable against profits earned by the newly nationalized enterprises. Those owners who were guilty of sabotaging Rumanian economy and those who had illegally left the country are deprived of compensation.

CZECHOSLOVAKIA : The state sector which comprised around 60% of industry was considerably enlarged after the February 1948 crisis. Included in the nationalization were : numerous enterprises in the building and food industries, big hotels and restaurants, tourist centers, the musical instrument industry, hospitals, the printing and book industry, the transport system, the banks, all foreign trade and domestic wholesale trade. The private sector comprised only 8% of industry but still retained its dominant position in retail trade.

YUGOSLAVIA : A law passed on April 28, 1948 nationalized approximately 3,100 private establishments including the following : 10 mines, 65 small power plants, 200 printing plants, 100 movie houses, 350 sanitariums, hospitals, hotels, bathhouses, etc., all ships or vessels carrying more than 50 passengers. Compensation of former proprietors in the form of state bonds without any limiting clauses was provided for. Moreover, former proprietors are permitted to retain up to 30% in liquid assets of the newly nationalized enterprises and to receive the remainder of liquid assets in state bonds. This law virtually nationalizing all small industry above the artisan level was followed by measures taken on May 21-28, 1948, expropriating 1,105 merchants in Belgrade who were accused of speculation. All wholesale trade was thus nationalized.

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Remaining Strength of Bourgeoisie

What conclusions can be drawn from these various measures as to the specific weight of the bourgeoisie in the economic life of the buffer countries ? As late as the end of 1947, only in Yugoslavia was the industrial bourgeoisie completely eliminated except for small establishments ; in Czechoslovakia and in Poland, the bourgeoisie retained strong positions in light industry ; in Hungary it still occupied a preponderant position except for the metallurgical sector and the mines ; in Rumania and in Bulgaria, it still dominated practically all sectors. Moreover the commercial bourgeoisie in a manner of speaking retained all its positions in these countries.

Today the situation is drastically modified. In Yugoslavia and Bulgaria, the industrial bourgeoisie has been completely eliminated and the commercial bourgeoisie reduced to small retail stores. In Poland and Czechoslovakia, some secondary sectors of small industry (a strong position in the Polish building industry) and wholesale trade remain in its hands and a preponderant position in retail trade. In Hungary it retains a slightly less important position in light industry (75% of the clothing industry ; 35% of the paper industry ; 32% of the chemical industry, etc.). In Rumania it preserves a preponderant position in medium-sized industry in several sectors.

However in none of those countries can we speak of a disappearance of the bourgeoisie, not even of its reduction to a point comparable in Russia during the period of the NEP. For example in Yugoslavia which has pushed nationalizations the furthest, D. Vukovich writes (**Borba**, November 25, 1948) that the share of the capitalists in the national income in 1948 will rise considerably to 11.22% ; that of the workers to 25.07%. Now if we are to believe official statistics, the number of Yugoslav workers is about to pass the million mark. Since it is extremely difficult to conceive of the existence of hundreds of thousands of capitalists after all the nationalization measures, the logical conclusion to be drawn from these figures is that there still remains an enormous disproportion of income between the workers and the capitalist elements who are "hard pressed by the government."

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Reconstruction and Industrialization

The struggle against inflation opened the road to economic revival. The successive nationalization measures have placed this revival within a specific framework. How successful has it been to date ?

All six countries in the Soviet buffer zone, covered in this study, have tried to elaborate a plan of reconstruction and industrialization ; This began when general economic conditions made this possible ; The suppression of runaway inflation was the first indispensable prerequisite for the elaboration of these plans. It is also clear that a minimum of preliminary recovery permitted the state at a minimum to find the means to feed the working class enough to be able to demand from it a certain increase in productivity, the touchstone of all the "plans." That is generally the reason for the considerable lag between the beginning of economic revival and the publication of the drafts of the plans.

The first two plans announced, the Polish three-year plan and the Czech two-year plan, were both to take effect on January 1, 1947. Reconstruction was their principal objective : in fact, the annexation by Poland of the "western territories" (former Silesia and German Pomerania) and the expulsion of the German Sudeten population from Czechoslovakia imposed the task of internal colonization on both of .these countries. This took the form both of the resettlement of peasants in the newly acquired areas and of large industrial investments in these regions. These plans therefore in essence aimed, at returning, under completely altered social and national conditions, to the prewar level of production in those regions which now formed part of their national territory.

The projected investments are large and should absorb 20% to 23% of the national income ; a very high percentage, higher than that of the first Russian five-year plans. The division between agriculture and industry and between heavy and light industry, in both cases is especially favorable to heavy industry, agriculture receiving only 7% to 9% of the appropriations in Czechoslovakia and from 13-15% in Poland.

The Bulgarian two-year plan went into effect on April 1, 1947. It is of a very different type given the economic conditions of this country. In relation to national income, the rate of investment is much lower : 9% for the first year, 3% for the second. Although the emphasis was put on an accelerated industrialization which should permit Bulgaria to rapidly surpass the extremely low level of industrial production in 1938, the plan has an essentially agricultural objective and consists in an attempt to return to the 1938 level of agricultural production.

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The Yugoslav Five-Year Plan

The Yugoslav five-year plan which went into effect on April 30, 1947, after a long period of discussion and elaboration, has extremely ambitious objectives. It provides for the industrialization of the entire country aiming both at endowing the Yugoslav Federation with a heavy industry and with giving an impulsion to the development of light industry in the particularly backward federated republics. The projected investments are extremely high : they absorb 42% of the national income ! The plan provides only 8% of investments for agriculture and nevertheless envisages a total transformation of agriculture.

The Hungarian three-year plan, elaborated at the same time as currency reform, was to go into effect immediately after this reform on August 1, 1947. Its objectives are much more flexible than those in the other plans. The sum total of investments provided covers 10% of the national income. (It must be noted that Russian reparations constitute a charge on the Hungarian economy which prevents a major increase in the rate of accumulation.) 30% of these investments are allocated for agriculture and only 26.5% for industry. The Hungarian plan aims especially at the reestablishment of the pre-war structure of the country’s economy, at the augmenting of agricultural production and at the development of light industry. Of all the plans it appears to be the only one which takes most into consideration the necessity of immediately improving the standard of living of the workers, Moreover we will see later that together with Poland, Hungary is the one country in the buffer zone which actually reached the 1938 level in 1948.

Finally, Rumania, bogged down in inextricable financial difficulties, and had not yet succeeded by ; 1947 in getting industry started, contented itself with promulgating a plan (June 15, 1947) for economic and financial recovery whose principal aim was the struggle against inflation. It was only on December 27, 1948 that the Rumanian Parliament passed a law promulgating a "one-year plan" which provided a 40 per cent increase of industrial production for 1949. This would place production above the 1938 level.

Czechoslovakia and Bulgaria, whose plans ended in 1948, elaborated two five-year plans in the course of the current year providing for an accelerated industrial upswing. We will return to these plans in the conclusion of this survey but we will content ourselves here with noting that the Bulgarian "super-industrialization," which is quite similar to the one in Yugoslavia, has received a supreme benediction from Stalin in person, just as the Yugoslav five-year plan had been received with enthusiasm by **Pravda** before the conflict with Tito !

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How the Plans Were Carried Out

To what extent were the provisions of the various plans realized by the end of 1948 ?

In **BULGARIA** only 77 per cent of the goal for 1947 was attained. (Terpetchev in **Izgrev**, Feb. 15 and 24, 1948.) The greatest lag was in agriculture, especially in products for export (raisins and fruit). As a result, the figures for 1948 have been revised : industry is to surpass the 1947 level by 36 per cent and agriculture is to surpass the 1947 level by 86 per cent, which puts the objectives for 1948 slightly above the initial objectives for 1947. These have been realized for industry where the index of production reached 170 (1938 equals 100). But the results for agriculture were far from positive. **Rabotnitchesko Delo** for October 15 and 17, 1948 indicates that, despite the good harvest for the year, only one district on October 10th had delivered a volume of products corresponding to the goals set, 13 districts had delivered between 80 and 90 per cent of these goals and numerous districts had not even fulfilled half of their quota.

Industrial production in 1947 in **HUNGARY** witnessed a rise in heavy industry and a serious lag in light industry. While heavy industry had already surpassed the 1938 level, at the end of 1947 Hungary was only producing 2,000,000 pairs of shoes as against 4.7 million in 1938. It produced 140 million meters of cotton cloth as against 184.8 million in 1938. In November 1948, according to Rakosi, the index for mining and metallurgy industry was 137, for the chemical industry, 123, and for textiles 110 (1938 equals 100). As for Hungarian agriculture, it experienced a complete recovery from the drought and now enjoys a period of prosperity.

POLAND : The industrial production of Poland, basing itself on the new Silesian basin, attained the 1938 level during the course of 1947, then progressively improved to 130 and to 140 by the middle and end of 1948, Here also a considerable lag separates the sector providing means of consumption and the one providing means of production. Polish agriculture, still operating at a deficit in 1947, succeeded in 1948 in satisfying all the national needs and has embarked upon a vast program of the export of cattle raising products.

RUMANIA : Here there are few *of* no figures but from all the evidence Rumania has been the most retarded of all the "buffer" countries in its economic revival. The 1938 level of production has not been attained in either industry or agriculture.

CZECHOSLOVAKIA : As the most advanced of the "buffer" countries, it is also the one which has experienced the most complicated organic difficulties in the development of the productive forces. The index of production, which had reached 87 in 1947 (1937 equals 100) leveled off at around 100 in 1948 ; this level was reached in the first months of the year. It should be noted that the output of the consumer goods industries was hardly 80 per cent of 1938. Agriculture experienced a serious crisis which we will deal with later on.

Finally, **YUGOSLAVIA** has certainly experienced industrialization at a rate far superior to the other "buffer" countries. Tito claimed in a recent speech that the goals of the plan for 1948 were fulfilled 100 per cent. However, the above-cited article by D. Vukovich in **Borba** sets the rate of investment in relation to national income in 1948 at 38.33 per cent although the plan provided for a rate of 42 per cent.

In general, economic recovery was therefore realized within the prescribed framework but with agriculture generally lagging behind industry.

January 1, 1949.

(A second installment will be published in a subsequent issue of **Fourth International**.)

