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Note by the Secretariat

In document AC/52-D/27 it was proposed that the Secretariat should prepare, on a monthly basis in the first instance, a selection of information on significant events and developments in the satellites (including East Germany).

2. The attached document has accordingly been prepared on this basis to outline "The New Course in the Satellites" and has provisionally been entitled "Iron Curtain Series No.1".

3. The document has been classified only as "Restricted", but in accordance with paragraph 6 of AC/52-D/27 is being given the normal distribution of the documents of the Committee on Information and Cultural Relations. The question of further distribution will be for the Committee itself to decide.

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RESTRICTED

IRON CURTAIN SERIES NO. 1

January, 1954

The "New Course" in the Satellites

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THE "NEW COURSE" IN THE SATELLITES

SUMMARY

The most interesting development in the Eastern European satellites of the Soviet Union in 1953 was the general adoption of the so-called "new course".

The essence of the new course is a shift in economic emphasis. Hitherto, the satellites had pursued policies of forced industrialisation, with primary, if not exclusive, emphasis on the development of heavy industry. The new course provides for a relative de-emphasis of heavy industrial development, coupled with an attempt to achieve, within the next two or three years, a significant rise in agricultural and consumer goods production. The aim, as stated by satellite leaders, is to bring the tempo of growth of agriculture and light industry up to that of heavy industry.

The adoption of the new course does not mean a basic change in Soviet policy. The goal remains the same: the sovietisation of the satellites. The schedule of achievement of the goal, however, appears to have been somewhat changed. Thus, for example, the Hungarian Communist leader, Mátyás Rákosi, speaking before the introduction of the new course, declared that, with the achievement by Hungary of the very ambitious industrial goals of its second five-year plan (1955-59), "we shall have socialist society in our country". Less than two months later, following the introduction of the new course, the Hungarian leadership revealed that the industrial goals set for the last two years of the current five-year plan (1950-54) were too high, and would have to be lowered. It would thus appear that Hungary will not be able to achieve "socialism" by 1960.

The new course in the satellites seems to envisage a two-to-three year detour on the road to "socialist society". It is thus analogous to the Soviet "new economic policy" of the 1920's, which, it will be remembered, was followed by the forced industrialisation and collectivisation campaigns of the early 1930's. It is quite probable that satellite leaders consciously regard the new course as a breathing spell, preceding the undertaking of even more strenuous economic exertions than those made in the period 1949-53. In Lenin's classic phrase, the new course is "one step backward", and should be followed by "two steps forward".

EAST GERMANY

SUMMARY

East Germany was the first state in the Soviet bloc, including the USSR itself, to proclaim a "new course". About a week after the first Government announcements, the June 17th uprising occurred in East Berlin. Since then the government has adopted various measures to implement the "new course". It has also been greatly exercised to "liquidate" the memory and the implications of the events of June 17th which, its propaganda machine maintains, amounted to a "fascist putsch" contrived by US agents with the sole aim of destroying the "new course" and consequently the well-being and prosperity of the East German population.

There can be no doubt as to which of the two objectives - implementing the "new course" and the "consolidation of the political situation" - ranks higher in the minds of the East German rulers and their Soviet masters. The available evidence confirms the obvious conclusion that the "new course" has assumed secondary importance; that it has, in a sense, taken on the character of a diversionary tactic in the government campaign to become master in its own house again. The primary consideration remains the security of the régime and, ultimately, Soviet security.

The "New Course"

The first phase of the "new course" embraces the recommendations of the Central Committee of the Socialist Unity (East German Communist) Party of June 9th, 1953, which were ratified two days later by the government. The avowed purpose of the measures was to stop the flow of refugees to the West and to promote "the drawing together of the two parts of Germany". They represented in fact a belated attempt to conciliate what was left of the East German middle class and private enterprise, as well as the peasantry. What they did not do, however, was make any attempt to conciliate the industrial workers, who were left with the increased work norms put into effect on April 1st.

The omission led directly to the events of June 17th which in turn led to the second phase of the "new course", the "decision" of the Central Committee of the Socialist Unity Party of June 21st. The "decision" lowered the norms, reduced workers' railway fares, and promised to raise the general standard of living by a number of measures ranging from the elimination of power cuts to increases in old age pensions and an intensified housing programme.

The East German "new course" established the basic pattern for the other satellites - an admission that the programme of heavy industrial development had been carried out too rapidly, with unfortunate effects on consumer goods production and agriculture, followed by a declaration that an intensive effort would now be made to redress the balance. Various decrees implementing the government programme in detail were promulgated during the summer. In October, tax reductions and price cuts supposedly affecting 12,000 articles were announced. The government is now on record as saying that rationing will be abolished by the middle of 1954.

How much all this has contributed to raising the standard of living is problematical. The food shortage continues unabated, forcing the government to resort to the drastic expedient of sending "workers' brigades" - in reality party functionaries - into the countryside to try to squeeze higher deliveries out

of the uncooperative peasants. In industry a large-scale productivity drive has been maintained for months: the watchword "socialist emulation", connoting "voluntary" overtime, extra shifts, and the like, suggests that the government hopes to raise work norms again indirectly, without running the political danger that direct action would very likely entail. Even the promised elimination of power cuts has failed to materialise. There is no electric power for domestic purposes for, on the average, two hours every evening in the cities. The rural districts are worse off, with cuts of up to six hours every day. The situation is so critical, in fact, that a government-sponsored "hundred-watt movement" has been instituted in order to reduce consumption to a maximum of 100 watts per household at peak load times, and to bring flagrant "power offenders" to book.

Meanwhile, the stream of refugees to the West continues to flow strongly, offering the best proof perhaps of the government's continuing difficulties and failure to win the confidence of the people. The lowest monthly figure for 1953 was 11,000 in August, but by October there was an increase to 16,500. The refugee total for the year included about 4,700 members of the "People's Police" and the other East German para-military organizations, or more than double the figure for 1952.

"Consolidation of the Political Situation"

This process, otherwise known as "liquidating June 17th", has two aspects, one domestic, the other involving international considerations. In both the interests of the Soviet Union are directly served. East Germany's rôle in Soviet foreign policy, indeed, her continued retention in the Soviet bloc, would become increasingly difficult were internal disaffection allowed to manifest itself unchecked. The regime had therefore to be rescued and subsequently strengthened at all costs, and all disaffected elements eliminated or cowed into submission.

A. Domestic

The intervention of Soviet troops in June of last year was decisive in giving the East German government the chance to recover control. It has reasserted and consolidated its position by the following measures, among others:

1. First in order of importance has been the government drive to regain the upper hand in the key industrial centres, where the June disorders were particularly violent. The policy pursued is one of calculated intimidation of the politically conscious labour elements, accomplished by the customary use of agents provocateurs, denunciation, encouragement of informers, and numerous arrests.
2. In order to bolster the charge that the June events were the work of foreign agents bent on destroying the imminent prosperity of the people, the government has made a series of "exposures" of "terrorist groups" in the pay of the Federal Republic or the United States. The trials that follow the "exposures" have led to the imposition of the death penalty in some cases, and to long terms of imprisonment at hard labour. As well as vindicating the government's position with regard to June 17th, the process of "exposures" and trials serves to divert public attention and maintain an atmosphere of crisis conducive to the imposition of the will of the regime.

3. In preparation for its Fourth Congress in the spring, the Socialist Unity Party is conducting a thorough-going reorganization with a view to rooting out luke-warm members and establishing an absolutely dependable party cadre. It seems that genuine working-class elements are being eliminated from the more important local positions and replaced by reliable party officials. The result may be the even greater isolation of the party from the mass of the people.
4. While the effort to eliminate all possibility of political opposition goes on, the "new course" with its rather dubious concessions and more dubious promises of better things to come is intended to counteract any latent discontent among the politically inactive elements. This seems to be the significance of such comparatively trivial concessions as the showing of "non-political" Western European films and playing Western dance music.

B. International

The Soviets took certain steps last year to raise the international - as well as the domestic - standing of the badly shaken East German regime. The August "agreement" between the two governments contained promises of fairly substantial economic assistance. The Soviets also waived reparations payments as of the beginning of this year - and made the Poles do likewise - and returned various important industrial enterprises to East German control, and remitted certain categories of East German debts.

The Soviet action in exchanging Ambassadors with East Germany has been followed by the satellites.

The East German Government is embarking on a policy of intensified trade with the non-Communist world. The recently concluded trade agreement with the German Federal Republic envisages a threefold increase this year over the level of goods exchanged in 1953. Other agreements have been reached with Norway, Sweden, Greece and Austria, involving a noticeable increase over last year's level of trade. A permanent trade mission has been established in Cairo as the first step in a programme of enlarged trading activity in the Middle East.

The East German Government has undertaken in recent months an intensive propaganda campaign appealing to France to reject the EDC and make common cause with the "democratic" part of Germany against the revival of militarism.

HUNGARY

The introduction of the new course in Hungary followed close on the heels of its announcement in East Germany. The occasion for the announcement was the formation of a new government, following the elections of May 17th to the State Assembly (Parliament).

Introduction of the new course was apparently not envisaged at least as late as May 10th, when the then Secretary General of the Hungarian Workers' (i.e. Communist) Party and Prime Minister, Mátyás Rákosi, in an electoral speech in Budapest, said that one of the tasks of the new State Assembly would be enactment into law of the second Hungarian five-year plan (1955-59), which set the goal of doubling the production of coal, pig-iron, steel and electrical energy, achieved under the first plan (1950-54). "Have we got the prerequisites for carrying out our plans?" he asked, and answered himself: "Yes, we have". What is more, Rákosi announced that, with the completion of the second five-year plan, "we shall have socialist society in our country".

Perhaps the first indication of the new course was contained in an editorial in the central organ of the Hungarian Workers' Party, "Szabad Nép", on June 21st, which emphasised the duty of leaders in the Party, administration and economic life, to "care like the head of a family for the health and security of the workers". "It is a right-opportunistic, inhuman trait, such as we were acquainted with only under capitalism, when one, as Comrade Stalin once said, 'regrets the loss of a head of cattle more than the death of a man'", the editorial noted, and concluded: "There is a justifiable hope that, after the good harvest which is to be expected this year, we shall be in a situation to provide the working people with better living conditions and gradually take into account the wishes of the population".

On June 27th-28th, an expanded plenum of the Central Committee of the Hungarian Workers' Party met and heard reports by its Secretary General, Rákosi, and by Imre Nagy, member of the Politburo and the Secretariat. Organizational changes were made in the Party's structure which brought it closer to the Soviet model.

On July 2nd, Rákosi's government resigned. The State Assembly, which convened on July 3rd, elected a new government, headed by Nagy, and amended the constitution, merging a number of Ministries, as had been done in the USSR after Stalin's death.

Nagy, in his programme address to the State Assembly, formally laid down the new course. Nagy declared that ".... the goals of the increased five-year plan /the original targets of the 1950-54 plan, set in 1949, had been substantially raised in 1950/ exceed our capabilities in many respects, their accomplishment places demands upon our reserves of strength to which we are not equal, they inhibit the development of the general welfare, indeed, they have recently even had the consequence of a fall in the standard of living". Accordingly, he proposed that the tempo of the development of heavy industry be slowed down, and that the investment funds thus saved be devoted to increasing the tempo of development of consumer goods industry and of agriculture.

With regard to agriculture, which he characterized as having come to a "standstill" in recent years, he announced that the further formation of "production co-operatives", or collective farms, would be halted, and that members of the co-operatives who wished to return to individual farming would be allowed to do so at the end of the farming year (i.e. after the harvest). The régime would agree to the dissolution of co-operatives a majority of whose members demanded it. Measures would be taken to simplify the compulsory-deliveries system, and to forecast for a period of several years the amounts of deliveries which would be demanded of production co-operatives and individual farmers, thus providing an assurance that increased production would accrue to the benefit of the producers, and not to be taken by the government at confiscatory prices. Simultaneously, the régime intended to strengthen existing production co-operatives, which, he said, provide "the best and most viable way for the further development of the peasantry".

A week later, Rákosi reported on the new course to a meeting of party activists in Budapest. He confirmed the general line of Nagy's speech to the State Assembly, but emphasized that the new decisions regarding the slowing down of the formation of production co-operatives and the increase of aid to individual peasants, meant no change in the determination of the Party and government to transform agriculture along collective lines.

Some Western observers have seen in Rákosi's report an attempt to modify the content of the new course as laid down by Nagy. Probably the difference between the speeches of the new and the old Prime Ministers can better be explained by the fact that the former was addressing the State Assembly in the technically non-partisan capacity of head of the government, while the latter was spelling out to activists the significance of the new course from the Party's point of view.

On July 26, following the Soviet pattern, the Presidium of the Hungarian People's Republic published an amnesty decree. Perhaps the most important part of the decree was the release of persons sentenced to corrective labour, and the consequent dissolution of corrective-labour camps. The practice of re-settling "class-inimical elements", mostly middle-class tradesmen and professional men, which amounted to exile from Budapest and other cities, was abandoned. As in the Soviet Union after the reversal of the "doctor-murderer" case, emphasis was placed on the principle of "legality", in an attempt to assure citizens that the people's-democratic state provides security against arbitrary arrest and trial by administrative procedure.

The promises of the régime to the peasantry were implemented by appropriate directives and laws. However, it soon became evident that many members of production co-operatives were not content to await the ingathering of the harvest before they left the collectives. The régime was therefore constrained to use compulsion to keep the existing collectives from being jettisoned. There were signs that the harvesting and compulsory-delivery campaigns did not proceed as successfully as the government may have expected, after its announcement of concessions to the peasantry. And, even after the harvesting season had passed, the régime brought pressure to keep the co-operative peasantry from leaving the collectives until the autumn plowing and planting had been completed.

This grudging application, if not partial reversal, of what the peasants must have regarded as the most important of the régime's concessions, is mirrored in the resolution of the Central Committee of the Hungarian Workers' Party, passed at its October 31st session, at which the results of four months of the new course were reviewed. "The toiling peasantry", the resolutions said, "has increasingly come out in support of the policy of the Party and government. The Party has nullified the plan of the enemy to dissolve the production co-operatives. It took the appropriate measures in time and has introduced an extensive mass-political propaganda campaign to protect the co-operatives". In plain language: the régime has, by compulsion, kept the co-operative peasantry from doing what the régime had, on July 4, promised it it could do.

Nonetheless, the October 31st resolution continued to talk in terms of the new course, promising that 70% of the national income would be devoted to supplying the population's needs in 1954, as against 58% in 1953, re-affirming its determination to provide individual peasants with stimuli to increase their production, and not neglecting to emphasize once more that the new course means, not dissolution of existing production co-operatives, which are to be encouraged to consolidate their position, but a slowing down of the creation of new ones.

The October 31st plenum also called the III Congress of the Hungarian Workers' Party for April, 1954.

ALBANIA

Internal

Following the government reorganisation of last July, Premier Hoxha laid down a "new course" for Albania (August 5). Government emphasis on the "new course" has continued with announcements of reduced compulsory deliveries of agricultural produce, tax remittances, reductions in the price of agricultural machinery, increased supplies of raw materials for small industries and private craftsmen, etc.

An amnesty of criminal and political prisoners, supposedly affecting about 850 people, was announced at the end of November.

External

Continuation of extensive Soviet assistance to Albania was announced in the protocol of the Albanian-Soviet Commission for Scientific-Technical Co-operation which met in Moscow during October. Soviet specialists were to be sent to Albania to give assistance in building and transportation enterprises.

The Albanian-Yugoslav Mixed Commission resumed discussions November 9 after a break of rather over a month. In the interim, Yugoslavia charged on several occasions that Albanian aircraft were violating her airspace.

The Albanian Foreign Ministry in mid-November addressed a letter to the UN Secretary General proposing the establishment of a mixed Albanian-Greek commission to repair destroyed frontier markers.

RUMANIA

Internal

Rumania's "new course" was mapped out in the latter part of August. A plenum of the Workers' Party (the Rumanian Communist Party) decided that industrialisation had been "forced", that there had been an imbalance between capital investment in heavy industry on the one hand, and investments in agriculture and consumer goods production on the other. The "new course" would redress the imbalance: agriculture and the consumer goods industries would now be "... at the centre of our cares". A series of measures and decrees were announced in September to implement the "new course" in detail. These included exemption from or reduction in taxation for smallholders, collective farms, and peasant associations; a 25% reduction in local public-service rates; a 35% reduction in domestic electricity charges; and the cancellation of school and hospital fees, court charges, and other debts owed the State up to January 1, 1953. In addition, a decree of September 25 enlarged the electorate to the People's Councils by "... granting the vote to (certain) former exploiters and capitalistic elements".

External

An agreement designed to regulate possible frontier incidents was concluded on September 11 between Rumania and Yugoslavia.

In mid-October the death sentence was passed on 13 out of 16 spy trial defendants alleged to have been parachuted into Rumania by US intelligence agencies.

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BULGARIA

Internal

The Bulgarian version of the "new course" was set forth in a September 8 speech by the Prime Minister, Vulke Chervenkov. He made the by now usual point that the previous high rate of industrialization must be scaled down in the interest of increased production of consumer and agricultural goods and livestock. (Chervenkov claimed that the ratio of industrial to agricultural production stood at 47:53 at the end of 1952, as compared to 30:70 in 1948.) Livestock deficiencies have been a recurring theme of Bulgarian domestic propaganda ever since. Chervenkov also said that the various shortcomings on the co-operative farms would be remedied by State action on compulsory deliveries, taxes, and aid to farmers. Various follow-up measures have been taken since September 8, including a decree remitting certain categories of debts and income tax arrears of co-operative farms and their members, and another laying down an intensive programme of agricultural development with the main emphasis, as usual, on livestock problems.

In the December 20 elections to the National Assembly, 99.8% of all votes cast were for the Fatherland Front, the Communist electoral bloc.

External

Chervenkov's September 8 speech contained an expression of readiness to resume diplomatic relations with Greece as part of a general move towards the establishment of good relations in the Balkans. Subsequently, negotiations between the two countries with this end in view were begun in Paris. Chervenkov also said that Bulgaria was willing to resume diplomatic relations with the United States - though in another part of his speech he attacked the US for its "campaign of slanders" - and insisted on Bulgaria's right to be admitted to the United Nations.

In the 1953-54 academic year, 1100 Bulgarian "students and post-graduates" will study in the USSR.

CZECHOSLOVAKIA

Internal

Part of the background of the "new course" in Czechoslovakia is the 1st June, 1953, announcement of a currency reform, which substantially reduced the real value of wages, and precipitated a workers' riot at the Skoda Works in Pilsen. The resulting disorder in the city was rigorously suppressed by the régime. Prior to the currency reform - at the beginning of May - the government had decreed an amnesty, reducing and in some cases remitting prison sentences.

Premier Viliam Siroky introduced the new course in a speech to the National Assembly on 15th September. He began by making the usual point that the development of heavy industry had gone ahead at the expense of consumer goods production, and would now be scaled down in order to raise the standard of living. The housing drive would have to be intensified: construction over the past few years had been "utterly inadequate". In agriculture there would be debt moratoria for co-operatives and easier credits for co-operatives and small and medium private farmers. Various government decrees implementing Siroky's programme were announced during September and October. One of these dealt with the engineering industry planned increase for 1954 which, it stated, would be reduced by about one half. At the same time the export of machinery was to be raised by 27% to help pay for raw materials for industry and for consumer goods.

President Antonin Zapotocky followed Siroky at the end of September with a speech defining the new agricultural policy in detail. In it he said, among other things, that Soviet experience had to be modified to meet local conditions. There would be no retreat from "the correct principle of the socialisation of the countryside", but it was wrong to set up co-operatives too rapidly. Co-operatives would be established only when their prosperity was assured, but there would, on the other hand, be no irresponsible dissolution of co-operatives.

Among the measures which have been taken to get more food on the market are the establishment of weekly markets in some quarters of Prague at which co-operators and small and medium farmers are to be allowed to sell produce in excess of their quotas, and promises of extra fodder and higher prices for cattle delivered in excess of compulsory quotas.

Retail price reductions ranging from 5% to 40% and supposedly covering 23,000 items came into effect at the end of September. The biggest reductions were in luxury goods (37% for television receivers) and the smallest in food staples. Sugar prices dropped by 14%, however, and wheat flour by 20%. The price cuts have been a main item of domestic propaganda in recent months, together with the kind of consumer complaint - Czech razor blades are as sharp as foreign products but don't last as long - which is characteristic of the "new course" throughout the satellites.

POLAND

Poland was the last of the satellites to adopt a new course.

Poland had had an amnesty on November 22nd, 1952, in commemoration of the adoption of a new, Stalinist, constitution (July 22nd, 1952) and of the first session under that constitution of the Sejm (Parliament), which was convened on November 20th. The amnesty did not apply to persons who had committed serious crimes, nor to political prisoners of any significance. In general, it affected primarily persons who had been sentenced, or whose cases were in process, for offences entailing a penalty of up to a year in prison.

Any effect the amnesty may have had in demonstrating an attitude of benevolence on the part of the régime, however, was undoubtedly cancelled out by the adoption by the Council of State on March 4th, 1953, of two decrees "on the intensification of the protection of socialist property" and "on the protection of socialist property from petty thievery". The decrees were characterised by the central organ of the United Polish Workers' (i.e. Communist) Party, "Trybuna Ludu", as providing "draconic penalties".

As the year wore on, there were few signs that the régime intended to introduce a new course. Emphasis in economic life continued to be laid on the necessity for raising industrial production, and for continuing the development of producer co-operation in agriculture. An example of the first tendency is an article by Wiktor Klosiewicz, Chairman of the Central Council of Polish Trade Unions and a member of the Council of State, in "Trybuna Ludu", May 10th, 1953, calling for a constant raising of production norms in industry. As an example of the second, the Presidium of the Council of Ministers (i.e. Cabinet) created in June a Council of Agricultural Production Co-operation, among the aims of which were "the securing of the further development of . . . production co-operation" and "assisting the co-operatives in the struggle against the class enemy".

On July 21st, the President of the Council of Ministers and Chairman of the Central Committee of the United Polish Workers' Party, Bolesław Bierut, speaking before the Warsaw People's Council (i.e. Soviet), on the ninth anniversary of the "liberation of Poland by the Soviet Army, paid the usual lip service to the need for raising the standard of living. He also declared that Poland's "achievements in the sphere of industrialisation enable us now fully to set before ourselves the task of raising the level of our agriculture", and that, to this end, it was necessary to provide greater aid to the small and medium individual peasantry. This, too, however, was a familiar enough theme, and was accompanied by a repetition of the need to strengthen the production co-operatives.

Despite minor concessions to the peasantry in the early autumn, and a speech by Bierut at Szczecin (Stettin) on Peasants' Day in early September, promising government aid to the individual peasantry, it was not until the end of October that, at the IXth plenum of the Central Committee of the United

Polish Workers' Party, the Polish new course was finally unveiled.

Bierut's report to the plenum follows in almost every particular the by now classic model of the new course. The major emphasis was on raising the level of agricultural production, which had failed signally to develop in accordance with the estimates of the six-year plan (1950-55): the plan had envisaged a rise in agricultural production by the end of 1953 of 35% compared with 1949; the actual rise, Bierut said, was only 9%. Accordingly, investment plans for the last two years - 1954-55 - of the plan must be revised. Investment in heavy industry will remain at the same absolute level as in 1953, but, since the economy will continue to expand, its percentage share of total investment funds will drop. Investment in agriculture will have been raised by 1955 by 45% over the 1953 level, in consumer goods industry, by 38%, in housing construction and community services, by 26%, in the construction of social and cultural installations, by 34%. Help will be given individual peasants, the so-called village poor, and the small and medium peasants, but not the kulaks. Production co-operatives will continue to be formed in Poland, but probably at an even slower rate than hitherto. (Poland brings up the rear in the march of the satellites towards collectivisation).

Bierut did not make the mistake of the Hungarian leadership, and promise that existing co-operatives could be dissolved on the demand of a majority of their members. Obviously the lesson of the Hungarian experience had been well learned. Moreover, Poland, which has consistently maintained a relatively restrained approach to the formation of co-operatives, is probably not suffering from the level of tension which prevails in Hungary and Czechoslovakia as a result of their more rapid rates of formation.

There was a fly in the ointment of the Polish new course. A poor rye harvest this year, Bierut announced, would necessitate the import of grain. This will, it appears, slow down the projected programme of increasing consumer goods production, since the grain imports will have to be bought at the expense of raw materials with which to make consumer goods. The consequent probable higher price of rye bread will also not provide too harmonious a chord in the symphony of measures designed to raise the Polish standard of living.

The formal launching of the new course was followed by a price reduction in November. The only significant food item included in the reduction appears to be sugar, the price of which was cut 13.5%. It was claimed that the reduction would save consumers four and a half billion zlotych annually (US \$1,125,000,000 at the official rate of exchange).

More significantly, the prices of agricultural machinery were reduced substantially, by from 30% to 40%.