

Ben B. Seligman

The Satellite Squeeze

Soviet Exploitation in Eastern Europe

FOR CENTURIES the Danube basin has been one of the most important agricultural areas of Europe. Together with Poland, lying immediately northeast of this region, the countries of the Danube basin — Czechoslovakia, Hungary, Rumania, Bulgaria, and Yugoslavia — produced wheat, corn, oilseeds, fruits, tobacco, wines, eggs, and meat in quantities that were more than enough to feed their own populations. In spite of relatively low yields and primitive techniques, these countries had left, at the end of their harvest season, a fairly substantial export surplus whose sale gave them money with which to buy industrial goods.

After Yalta, with all of Eastern Europe either already a part of the Soviet empire or about to become so, it was widely expected that the Danube basin would serve as the

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main source of food and raw materials for a gigantic Soviet Russian industrial complex.

Yet the reports seeping out from behind the Iron Curtain belie this expectation of an Eastern European agricultural colony feeding the Russian imperial center. Dispatches from Warsaw, Prague, and Budapest tell the same story of a catastrophically deteriorating food situation, caused by a frantic Soviet drive to industrialize the Danube basin. For the simple fact of the matter is that Moscow isn't making a breadbasket of Eastern Europe; on the contrary, it is doggedly insisting on setting up factories throughout this region in order to build the kind of economic strength it believes it must have.

Such statistics as we have on the subject testify to the fact that Soviet Russia and her satellites are on the whole industrially poor. The Soviets simply do not make enough capital goods to take care of their own needs, let alone those of the

satellite states. Russia, for all her five-year plans, remains a predominantly agricultural country, and despite the inhuman pace she set to recoup wartime industrial losses, is in no position to furnish industrial assistance to the countries of Eastern Europe.

THIS ALTERS the conventional relation of home country to colony. According to the textbook version of imperialism, the highly industrialized center milks its conquered backward regions for food and raw materials. In the case of Russia, however, a backward imperial power looks upon her colonies as a new source of industrial sustenance, taking from them whatever she can get. The home country in such a situation not only welcomes but demands (as did Japan in Manchuria in the thirties) an intensive development of industry in the area it dominates. The Soviet Union's obsessive concern to reduce the industrial gap between it and the Western nations, especially the United States, causes it to look upon the satellites as extensions of the homeland. Industries must be developed wherever possible, regardless if poverty, bureaucratic bungling, and the worship of giantism make this an uneconomic policy.

Forced-draft industrialization imposes an intolerable strain on the already overburdened economies of the Eastern European satrapies.

Bulgaria, for example, a satellite which many thought would be allowed to go its agricultural way, was recently ordered to complete the construction of its first iron and steel mill. Although she possesses some iron and coal deposits, they are hardly enough for an efficient and economical manufacture of steel. The new Bulgarian mill, which is being built at Dimitrov, near Sofia, will have the infinitesimal capacity of some 10,000 tons a year. On the producing of these few paltry tons of steel Bulgaria must employ men and resources which, if they were used to promote agriculture, would help to raise living standards. But Moscow cares as little about the living standards of its colonials as it does about those of its own people. What it cares about are the industrial resources, however insignificant, which go to creating military strength. And so Bulgarian peasants who would be better employed behind a plow must tend blast furnaces.

Hungary this year was ordered to raise its aluminum production to 33,000 tons per annum, or twenty times the prewar output. Half the aluminum ore that Hungary produces must be shipped to Russia. Undoubtedly this aluminum will go into the manufacture of airplanes — an aluminum pot is unheard of behind the Iron Curtain. If Hungary meets these demands, it will add from fifteen to twenty per cent to

Russia's own output of aluminum.

Eastern Europe in general is being compelled to expand its production of armaments, in accordance with Soviet plans. Hungary's increase in war spending in 1951, for example, was equal to three per cent of her national income in 1950. The magnitude of Eastern Europe's economic burden is all the more impressive when we realize that this percentage increase is the same as the increase in total American productivity in a normally prosperous year.

Such industrialization contributes nothing to the economic welfare of the Bulgarian and Hungarian peoples. Many of their peasants who used to labor in the sun now make heavy industrial goods that move eastward into Russia; but in return for these goods the Soviet Union gives Hungary and Bulgaria, not added quantities of food, but unessential small industrial items for which she charges exorbitant prices. It is a repetition of Nazi Germany's bullying practice of taking tons of wheat for carloads of aspirin, except that Russia insists on manufactured and not agricultural products.

Soviet Russia's industrialization of its satellites, though it is an indirect form of exploitation, is as effective as the direct exploitation of the labor camps. Moreover, an unfailing consequence of Soviet-style industrialization is inflation, which oftentimes the satellite governments

seek to cure by means that are themselves exploitative.

HOW DOES this inflation come about? The new factories find their labor force among the peasants, whose departure for the cities leaves fewer hands to till the soil. The government must then demand higher grain deliveries to feed this larger urban working class which now possesses more purchasing power than it had in the past. But with crops declining as the result of agricultural chaos and poor weather (a general phenomenon throughout Eastern Europe in 1950 and early 1951), the lessened food supply and increased demand have but one result — inflation. When this happens, a mad search for scapegoats begins: "speculators" are expropriated and "deviationists" are discovered on every side.

Inflation has the satellite authorities worried. Even the powerful central control which they can bring to bear is helpless in the face of a wildcat inflation. A favorite deflationary device employed by the Communist regimes is currency devaluation. This is also a nice way to kill off those middle classes which the Communist authorities (very safely) "predict" are dying. Under this scheme all existing money is wiped out and a new unit is introduced at a fraction of what the former currency was worth. In Bulgaria, for example, the old *lev* was

converted last May into new *leva* at the rate of 100 to one. Businessmen's bank accounts were penalized even more drastically; they were converted at a rate of 200 to one. At the same time taxes were re-valued at 25 to one, thus hiking them from four to eight times. This "reform," which wiped out the savings of every independent artisan and farmer in Bulgaria, was carried out with Draconian rigor by the same Soviet experts who devalued the Russian currency in 1947.

The so-called "worker-peasant" alliances which the Communists established when they took over have been severely strained by the countryside's failure to feed the cities, and the cities' failure to supply the countryside with manufactured goods. Farmers just don't grow enough to meet the swollen official food quotas, while the satellite officials for their part are forbidden by the Russians to slacken the pace of industrialization.

Agricultural production is the most difficult problem facing the Communist regimes. Farm productivity in Eastern Europe has always been low: it is something like one quarter of that of Western Europe. Some authorities ascribe this to the fact that Eastern Europe's farms must support a larger population per acre; in addition, there is the scarcity of draft animals and livestock, fertilizer and mechanized equipment. Consequently, the

farmer is hard put to it to supply the needs of urban centers and the demands of Communist bosses, who in a frenzy to make the wheels of industry turn faster have only one answer to the food shortage — collectivization.

BUT the peasant will raise enough crops only if he is given a private and personal stake in the business of farming. This the satellite bureaucrats cannot possibly permit, since orthodox Stalinism has it as an article of faith that the private farmer — the kulak — is a kind of devil to be pitilessly exorcised. Thus the satellite governments are on the horns of a dilemma: failure to collectivize agriculture lays them open to a charge of heresy, while too rigid an adherence to Moscow's dictates alienates the peasantry and threatens the food supply.

In Rumania, the recent political shake-up that ended the careers of several prominent Communists can be traced directly to a deteriorating agricultural situation. When last January's currency reform failed to lessen food shortages, reduce inflation, or increase production — its stated objectives — Finance Minister Vasili Luca and Communist boss Ana Pauker were accused of sabotaging the reform and got the ax.

At Moscow's command, only ten per cent at most of Rumania's capital investment goes into farming, while fifty per cent or more goes

into industry, so it is not surprising that there are food shortages. The Rumanian government complains that the peasants are boycotting the state trading organizations, which act as food collection agencies; the latter, on the other hand, lack the kerosene, sugar, salt, textiles, and matches which would make it possible for them to do business with the peasants.

THE government's answer to "peasant obstinacy" is forced collectivization and larger delivery quotas. The food collections are especially onerous as they are based not on yield but on the size of the farm. Where the land is particularly fertile, the quota is increased. The larger independent farmer is often assessed as much as thirty per cent more than other farmers, while the collectives are given much smaller quotas.

The purpose in this is obviously to crush Rumania's independent farmers, and to accumulate enough food reserves to prevent a repetition of last year's collection fiasco. The independent farmer who gives up the struggle and joins a collective soon finds that he is nothing more than a hired hand in a state-controlled enterprise, with his wages pushed down to the point where his entire family must go to work if they are to subsist. But this still doesn't solve the food shortage problem.

THE ORGANIZATION of agriculture in the satellite countries today, with collective farms rubbing elbows with private holdings, resembles that of Russia around 1927. Indeed, the satellite economies are bewildering mixtures of small private enterprises, nationalized industries, individual peasant holdings, and partly socialized farms. They are what you might call "churken-doose" economies, after that famous animal which was neither chicken, turkey, duck, nor goose.

Socialized agriculture is most advanced in Bulgaria, where half the arable land is held by collectives. In Czechoslovakia, the proportion is 18 per cent; in Rumania, 15 per cent; and in Poland collective farms account for 16 per cent of the total value of agricultural produce. From the Kremlin's point of view this is not a satisfactory picture, for only if collectivization is complete can the satellites be fully exploited.

The peasants' answer to universal collectivization would be no different from what it was in the Ukraine in 1933, when thousands of cows, pigs, and other livestock were slaughtered by their owners in preference to giving them up to the commissars. As if to anticipate this, the satellite governments have centered their attack on the wealthier peasants in an effort to win the support of the smaller farmers. But it is the large farmer who is most needed to overcome the food shortage, for he

is more efficient, tills the larger acreage, and harvests the bigger crop. Yet the pressure on him is increasing, and forced collectivization *à la Russe* will undoubtedly be resorted to in spite of all the risks of such a course.

Poland has been staggering along in a food crisis since the drought of 1950, the worst the country had suffered in over a century. The larger independent farmers still own fifteen per cent of Poland's arable land; the acreage tilled by state and collective farms is a good deal less. The Polish government, like the other satellite governments, is afraid to move too drastically against the peasant lest he become even more disaffected and the food shortage grow worse. President Bierut recently proclaimed socialized agriculture to be the goal of all good Communists, at the same time that he warned against "left-deviationist" speed in collectivizing the countryside. The satellite authorities may very well fear the outbreak of peasant revolts.

LITTLE is known about the industrial situation behind the Iron Curtain; official reports and statistics are simply not available. It is evident, however, that the satellite governments are being constantly prodded by their Russian overlords to drive their workers at a harder pace. Resistance takes the form of absenteeism, which reached epi-

demical proportions in 1950 throughout Soviet Russia's Eastern European empire.

Last January Rakosi of Hungary charged that labor was not only lazy, but hostile to the regime. He accused foremen and managers of leniency and disregard of regulations. In Rumania, workers were bound like serfs to their jobs last November when transfers were forbidden except with state approval. This was following the example of its Russian "neighbor," which tied workers to their jobs as far back as 1936.

Even Czechoslovakia, the most advanced of the Iron Curtain countries, has its industrial headaches. Last fall the government ordered some 80,000 white-collar workers into factories, in a frantic effort to step up production. It is plain that the Czech five-year plan was running into many difficulties. To reach the impossibly high production goals, the state moved workers from one place to another, did away with overtime pay, and introduced the speed-up. Even the miners' Saturday half-day holiday was abolished, something that not even the Nazis ventured to do under their occupation. Czechoslovakia's economic troubles are continually exacerbated by the Kremlin's demand for low-priced imports from Prague, which they "pay" for in high-priced exports from Russia.

Russia's exploitation of the satel-

lites is most blatantly exhibited in foreign trade. There is a clear-cut trend in these relations toward a kind of regional autarchy, with the Soviet giant coldly dictating terms to its satrapies. The dollar volume of exports moving from Russia to the Eastern European nations increased by over 2,000 per cent between 1938 and 1948, while shipments to Russia rose by more than 800 per cent in the same decade. This, however, does not include the massive flow of reparation payments from the Danubian countries to the Soviet Union.

But more important than this huge rise in trade volume are the prices of the articles that Russia demands for itself. After his break with Moscow, Tito remarked, with some bitterness, that there was "capitalist trade among socialist nations." "Capitalist" traders, however, are on equal bargaining terms; whereas to apply the term "trade" to Soviet-satellite dealings is to conceal naked rapine under a polite euphemism.

The Polish-Soviet trade agreement, for example, called for Poland to deliver some twelve million tons of coal annually (later reduced to seven million tons) at a price of \$1.25 a ton! At the same time Sweden and Denmark offered to pay as much as \$16 a ton. When the Czechs bought 600,000 tons of wheat from the Soviets in 1948 they were compelled to pay \$4 a bushel, even

though the United States was selling wheat in the world market at \$2.50 a bushel. In the same year Russia obtained 80 per cent of Bulgaria's tobacco crop at a price so low that she was able to turn around and undersell Bulgaria in the Italian market by 35 per cent! The next year (Stalin and Tito were still talking to each other) Russia acquired molybdenum from Yugoslavia for 45,000 dinars a ton, although the cost of mining and processing this important metal was close to 500,000 dinars a ton. These cases illustrate the ruthless character of Russian imperialist exploitation of Eastern Europe.

IT IS CLEAR by now that the Stalin regime doesn't waste a thought on the well-being of the "people's democracies." The fiction that these unhappy lands are independent is kept up (even to the point of passing off the Russian marshal commanding the Polish army as a Polish citizen) because this strengthens the Soviet hand in the international poker game: witness the United Nations. But, in actuality, the Poles, Hungarians, Bulgarians and Rumanians are no more free than the Byelorussians or Ukrainians. The satellite economies are "co-ordinated" with Russian state planning in order to strengthen the Kremlin's drive to world power. As one keen observer noted at the end of World War II, "There is strong reason for

expecting nationalization of industry in all countries in which Russia is free to act . . . for a nationalized industry is easier to manage and to exploit for a conqueror and cannot become a center of opposition."

Essentially the same policy is applied to the peasant. Collectivization is a way for the Kremlin to police the Eastern European countryside so as to exploit it the better. Indus-

trialization, no matter how uneconomic it may be, is made obligatory so as to increase Soviet strength.

Within the Soviet scheme of things the unfortunate satellites find themselves more and more subjected to the totalitarian squeeze. Their usefulness, to Moscow, is that of those victims in ancient Carthage who went to feed the maw of a gigantic Moloch.

The Terrible Silence

» And now the terrible silence came between them once again.

The marvellous hills were blooming in the dusk. We shall not come again. We never shall come back again.

Without speech now they faced each other, without speech they knew each other. In a moment Eliza turned quickly from him and with the queer unsteady steps with which she had gone out from the room where Ben lay dying, she moved toward the door.

He rushed back across the walk and with a single bound took the steps that mounted to the porch. He caught the rough hands that she held clasped across her body, and drew them swiftly, fiercely, to his breast.

"Good-bye," he muttered harshly. "Good-bye! Good-bye, mama!" A wild, strange cry, like that of a beast in pain, was torn from his throat. His eyes were blind with tears; he tried to speak, to get into a word, a phrase, all the pain, the beauty, and the wonder of their lives — every step of that terrible voyage which his incredible memory and intuition took back to the dwelling of her womb. But no word came, no word could come; he kept crying hoarsely again and again, "Good-bye, good-bye."

She understood, she knew all he felt and wanted to say, her small weak eyes were wet as his with tears, her face was twisted in the painful grimace of sorrow, and she kept saying:

"Poor child! Poor child! Poor child!" Then she whispered huskily, faintly: "We must try to love one another."

FROM THOMAS WOLFE, *Look Homeward, Angel*, Scribner's, 1929.

IN OUR READERS' OPINION

THE KOREAN PROPOSAL

» Senator Bridges "Positive Proposal for Korea" in your November issue is, for the most part, a sensible and easily comprehended article.

He faces reality when he recognizes that the cause of America is at stake, that we are actually in WW-3 now, and that we must continue to fight until the communist legions are disarmed.

He deals too lightly with the roles of Roosevelt, Stilwell, Marshall and the I.P.R. in our loss of prestige in Asia. Their joint actions were responsible for our sorry plight in 1947 and 1950—and to dismiss the evacuation of S. Korea with a limp statement of not enough troops to be garrisoned there is merely a cover-up for dereliction of duty on the part of the Joint Chiefs of Staff who should have understood the dangers. That was what they were paid for.

Likewise he obscures the basic issue of constitutional abrogation when he excuses Truman for throwing us into a communist war trap on the assumption that Congress might have authorized the conflict anyway!

Even more important than the reviving of a fighting spirit for freedom which will encourage the enslaved masses everywhere, is the critical need for our leaders, in the military as well as in our government, to acknowledge right from wrong and to steadfastly set

their course on the right track. We cannot be strong and set a courageous example for others if we condone treachery in our midst. The only way to remove that treachery is to drive the uncensored spear of full public exposure into those individuals who have sold us short.

A. G. BLAZEY, M.D.
WASHINGTON, INDIANA

» I have just read a copy of your wonderful magazine for the first time. While browsing through the magazine rack in the corner newsstand last week, I happened upon the AMERICAN MERCURY and was interested in the titles of the articles so bought one.

After reading the November issue from cover to cover I felt that I had a much clearer idea of many things that had been troubling me. I want to thank you for the wonderful, understandable reading matter published in your magazine.

I now feel that I know much more about the many confusing issues facing us today. I especially liked Senator Styles Bridges "Korea—A Positive Proposal" and "The Primacy of Politics."

Sidney Hook's article "What Is Guilt By Association" reflected my own opinions on this moot subject. I am entirely in sympathy with Senator