



SCIREA Journal of Management

ISSN: 2995-777X

<http://www.scirea.org/journal/Management>

September 11, 2025

Volume 9, Issue 2, April 2025

<https://doi.org/10.54647/management630172>

## NON-DECISION WITH CONSEQUENCES

### *The oil crisis of the 1970s and the state socialist leadership in Hungary\**

**Milán Pap**

National University of Public Service, Budapest, Hungary

**Correspondence:** Milán Pap, National University of Public Service, Budapest, Hungary.

Email: [pap.milan@uni-nke.hu](mailto:pap.milan@uni-nke.hu)

#### **Abstract:**

Within the historiography of the state socialist era, the oil crisis of 1973–74 is predominantly regarded as a pivotal moment in the progression of indebtedness. However, the period from late 1973 until the end of 1974 also witnessed the rise and eventual resolution of another significant crisis: the removal of the reformist faction within the political leadership of János Kádár and the temporary ascendancy of anti-reform forces. This political turmoil coincided with the economic crisis, creating a complex situation. The economic crisis and the leadership crisis are undoubtedly intertwined; consequently, the Soviet leadership expressed dissatisfaction with the Hungarian reform efforts. Despite the challenges faced by the Hungarian leadership, decisions regarding the crisis emerged from a comprehensive process that considered multiple alternatives. The leadership of the Hungarian Socialist Workers'

---

\* The study was supported by the EKÖP-24--4-II-145 (The collective nature of political leadership) University Research Scholarship Program of the Ministry for Culture and Innovation from the source of the National Research, Development and Innovation Fund.

Party (MSZMP) remained committed to its ideological narrative, which emphasized the neocolonialist strategies of capitalist powers, their conflicts with one another, and the overarching political influence of monopolies in global energy markets. Records from party and foreign offices during the crisis suggest there was a continuous exchange of information behind the scenes. Meanwhile, party and state propaganda, along with media policy, was employed to maintain ideological and economic coherence. However, the delay in addressing the crisis was primarily due to political and economic indecision, which was closely linked to changes in leadership and the urgency to resolve the situation at an inconvenient time.

**Keywords:** crisis, decision-making, political leadership, energy policy, indebtedness, Hungarian socialism, one-party system

The oil crisis that erupted more than fifty years ago significantly altered the world's economic and political relationships. The 1970s, already viewed as a decade of crisis, plunged into deep turmoil, necessitating structural changes in Western economies and global economic relations.<sup>1</sup> The changes in economic structures were succeeded by ideological transformations that fundamentally shaped the Cold War rivalry from the late 1970s onward.<sup>2</sup> In the Eastern Bloc countries, changes seemed to occur at a slower pace, initially stemming from a false sense of security regarding protection from the volatility of the world market. In this context,

---

<sup>1</sup> On the oil crises of the 1970s and their consequences, see: Fiona VENN: *The Oil Crisis*. Longman, London, 2002; Elisabetta Bini–Giuliano Garavini–Federico ROMERO (eds.): *Oil Shock: The 1973 Crisis and its Economic Legacy*. London–New York: I. B. Taurus, 2016. An excellent work on the American oil crisis from a political history perspective: Meg JACOBS: *Panic at the Pump: The Energy Crisis and the Transformation of American Politics in the 1970s*. New York: Hill and Wang, 2016. For a discussion of the 1970s as a global crisis, see the volume featuring contributions from the most renowned historians: Niall Ferguson–Charles S. Maier–Erez Manela–Daniel J. SARGENT (eds.): *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass.–London: The Belknap Press of Harvard University Press, 2010.

<sup>2</sup> A comparative analysis of Western strategies in relation to the 1973–1974 oil crisis, written from the perspective of a decade and a half, can be found in: G. John IKENBERRY: The irony of state strength: comparative responses to the oil shocks in the 1970s. *International Organization*, 1986/1. 105–137. DOI: <https://doi.org/10.1017/S0020818300004495>; Roy LICKLIDER: The Power of Oil: The Arab Oil Weapon and the Netherlands, the United Kingdom, Canada, Japan, and the United States. *International Studies Quarter*, 1988/2. 205–226. DOI: <https://doi.org/10.2307/2600627> On the transformation of American (foreign) policy at the beginning of the decade as a result of successive crises, see: Daniel J. SARGENT: *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s*. Oxford: Oxford University Press, 2015. DOI: <https://doi.org/10.1093/acprof:oso/9780195395471.001.0001> On the changes in the role and position of the European Economic Community in the global economy as a result of the oil crisis, see: Laurent WARLOUZET: *Governing Europe in a Globalizing World: Neoliberalism and its Alternatives following the 1973 Oil Crisis*. , London–New York: Routledge, 2018. DOI: <https://doi.org/10.4324/9781315189871>

Hungary aimed to navigate between two worlds, leveraging both the economic safety net offered by the Soviet Union and its growing access to global markets.<sup>3</sup>

The historiography of Hungarian state socialism primarily regards the oil crisis of 1973–1974 as a pivotal moment in the process of debt accumulation. This significant period in economic history can be viewed, on one hand, as an era of economic policy defined by a “flight forward,” aiming to achieve economic restructuring through the utilization of Western technology and loans.<sup>4</sup> On the other hand, this was a time of self-deception. During this period, the Hungarian political leadership, influenced by ideological and socio-political factors, refused to acknowledge the altered global economic conditions while allowing large-scale borrowing to proceed unchecked.<sup>5</sup> This period can be seen not only as the debt crisis of the socialist era but also as a pivotal moment in Hungary's debt accumulation since World War II.<sup>6</sup>

The period from 1973 to 1974 saw the resolution of another crisis: the removal of the reformist wing of the Kádár political leadership and the temporary victory of the anti-reform forces, which created a crisis situation that paralleled the economic crisis. The economic crisis and the leadership crisis are interconnected, both arising from the Soviet leadership's dissatisfaction with the Hungarian reforms. During the early 1970s, two elements of Hungarian-Soviet relations became critically important. Economically, the Soviet Union served as a source of energy and raw materials and as a market for Hungarian products. Politically, it provided a forum for negotiations where the more powerful party aimed to assert its intention to change or "roll back" economic reforms. This Soviet policy resulted in the transformation of the Kádár political leadership and several years of uncertainty, beginning no later than February 1972. Kádár's visit to Leonid Brezhnev, General Secretary of the Communist Party of the Soviet Union (CPSU), in Zavidovo, along with his subsequent tactical proposal for retirement from party leadership, indicated signs of a minor crisis at the

---

<sup>3</sup> Ferenc KOZMA: Külgazdaság-stratégiai kihívások a hatvanas évtizedben [Foreign economic strategy challenges in the 1960s.] *Múltunk*, 2001/4. 78–106.; Pál GERMUSKA: Szocialista csoda? Magyar iparfejlesztési politika és gazdasági növekedés, 1950–1975 [Socialist miracle? Hungarian industrial development policy and economic growth, 1950–1975] *Századok*, 2012/1. 47–78.; György FÖLDES: A magyar-szovjet gazdasági kapcsolatok, 1948–1973 [Hungarian–Soviet economic relations, 1948–1973]. *Századok*, 2013/6. 1349–1375.

<sup>4</sup> György FÖLDES: *Az eladósodás politikatörténete 1957–1986. [The political history of indebtedness, 1957–1986.]* Budapest: Maecenas, 1995. 77–142.

<sup>5</sup> MONG Attila: *Kádár hitele. A magyar államadósság története 1956–1990 [Kádár's Credit. The History of Hungarian Public Debt, 1956–1990.]* Budapest: Libri, 2012. 127–168.

<sup>6</sup> Péter MIHÁLYI: *A magyar gazdaság útja az adósságválságba 1945–2013 [The Hungarian Economy's Path to the Debt Crisis, 1945–2013.]* Budapest, Corvina, 2013.

top of the leadership.<sup>7</sup> In fact, neither since 1956 nor until the end of the 1980s did similar uncertainty appear in the party leadership. The oil crisis thus emerged in the midst of an acute leadership crisis, at a time when Hungarian-Soviet relations were undergoing a peaceful transition, only for the situation to deteriorate further in 1974. This led to personnel changes and a partial halt to reforms.

The transformation of the large geopolitical and economic bloc further complicated the situation. The economic integration planned for the socialist countries, which took shape in the complex program of the Council for Mutual Economic Assistance (CMEA), envisaged meeting the energy needs of the economic bloc, coordinating investments and modernization, and increasing the supply of goods for the following decade. The Helsinki process provided the security policy backdrop for all this, with the international coordination of the Warsaw Pact seeking to continue the *détente* by creating a secure European political space. The Hungarian-Western relationship was not independent of the above, insofar as it meant the normalization and development of relations with the countries of the Western European economic area. The latter also played an important role in securing channels for technology transfer. On the Hungarian side, the search for new opportunities in credit policy was equally, if not more, important. The Hungarian economic reform necessitated investment capital that was unavailable from either domestic or Eastern sources. The Hungarian leadership therefore pushed for closer ties with potential Western creditors: the attempt to establish diplomatic relations with the Federal Republic of Germany in 1967 was successfully blocked by the Czechoslovak and Polish leadership, and in the same year, negotiations with the IMF ultimately failed due to Soviet opposition.<sup>8</sup> The Soviet leadership expressed concern over the high levels of indebtedness in the West, as well as the economic imbalances stemming from the reforms that they opposed. Consequently, the events leading up to the oil crisis, along with the actions taken by the Kádár leadership, can largely be attributed to the obstruction of Hungarian reforms prior to the crisis and the rejection of Hungarian proposals aimed at reforming the CMEA during negotiations.<sup>9</sup>

---

<sup>7</sup> On the development of Hungarian-Soviet relations, Soviet intentions and Brezhnev's pressure on the Hungarian leadership, see: György FÖLDES: *Kádár János külpolitikája és nemzetközi tárgyalásai 1956–1988. I. Kádár János külpolitikája. [János Kádár's foreign policy and international negotiations 1956–1988. I. János Kádár's foreign policy]*. Budapest: Napvilág, 2015. 140–183.

<sup>8</sup> On the rejection of plans to join the IMF by the leaders of the Eastern Bloc: György FÖLDES: *Az eladósodás...* op. cit. 52–60; for the history of negotiations with the IMF, see Attila MONG: op. cit. 97–124.

<sup>9</sup> On the failure of Hungarian reform efforts aimed at restraining the marketization of the CMEA, see: István FEITL: *Talányos játékok – Magyarország a KGST erőterében 1949–1974 [Enigmatic Games – Hungary in the CMEA's Sphere of Influence, 1949–1974]*. Budapest: Napvilág Kiadó, 2016. 307–368.

The Hungarian leadership faced limitations that restricted their options during the crisis, but the decisions made were the culmination of a prolonged process with multiple available alternatives. To analyze the crisis process from a political leadership perspective, I will utilize the categories outlined in the model created by Arjen Boin and his colleagues.<sup>10</sup> The model generalizes the categories that pose challenges for political leadership during a crisis. The first challenge is to make sense of the crisis by interpreting the various pieces of information available. After the OPEC countries announced their oil embargo, a number of scenarios and early responses emerged in Western countries and in the socialist bloc. For the latter, it was a political consideration that most of the countries initiating the embargo were Soviet allies, so official explanations interpreted the OPEC embargo as a legitimate demand by these states. The political leadership had to make this information “readable,” i.e., it had to form a coherent picture of the processes. An important aspect of the task of interpretability is whether it prompts the political leadership to take action or whether it seeks to maintain the existing worldview and established strategies for action. This leads to the second challenge, shaping responses, which is the moment of decision-making when the leader or leadership body, based on the information available, proposes the initiation of various processes and takes responsibility for coordinating them. This process involves both vertical coordination within a hierarchical organizational structure subordinate to the leadership or within the leadership ecosystem and horizontal coordination among institutions that are part of the power structure but are not hierarchically linked to the political leadership. The latter is a rare possibility in power-centralized dictatorships, while hierarchical coordination is the actual action of political leadership. Meaning-making presents political leadership with the problem of developing an explanation for the crisis and communicating it. Political leadership seeks to restore trust in the institution, thereby creating a post-crisis perspective for the future. At the same time, it takes a reconstructive approach to the internal relations of institutions, seeking to restore their effective functioning and integrity. Further challenges may arise in the form of accountability for the crisis, drawing conclusions, and identifying causes. An important aspect is blame management, which, in the context of the Cold War ideological confrontation, took the form of capitalist monopoly intrigue in the case of the oil crisis. At the same time, the Kádár leadership sought to minimize the impact of the renegotiation of Soviet oil imports in

---

<sup>10</sup> Arjen Boin, Paul 'T HART, Eric Stern, and Bengt SUNDELIUS: *The Politics of Crisis Management: Public Leadership under Pressure*. Cambridge: Cambridge University Press, 2005. DOI: <https://doi.org/10.1017/CBO9780511490880> See also Chris Ansell, Arjen Boin, and Paul HART: Political Leadership in Times of Crisis. In: R. A. W. RHODES – Paul 'T HART (eds.): *The Oxford Handbook of Political Leadership*. Oxford: Oxford University Press, 2014. 418–433. DOI: <https://doi.org/10.1093/oxfordhb/9780199653881.013.035>

its communications, both within the party organization and to the public. The learning process is a challenge arising from the need for self-examination on the part of the leadership and institutions, which can lead to the strengthening of leadership capacities and the refinement of strategies. In doing so, the political leadership must ensure that the crisis does not deepen again in its own institutional functioning and that it is ready to eliminate the effects of the crisis next time.

In the following, I explore the challenges associated with interpreting the crisis, formulating responses to it, and effectively communicating its significance. The key question addressed is how political leadership perceived the crisis through the lens of the relevant institutional framework and how it aimed to convey its response both within the party and to the broader society during the period of 1973–1974. The Clausewitzian concept of the fog of war (*der Nebel des Krieges*) highlights the inherent uncertainty in the progression of war and the unpredictable dynamics involving the warring parties, a notion recognized by strategists for over two centuries.<sup>11</sup> The nature of political leadership requires navigating a wide array of uncertainties, not only in wartime but in all circumstances. During economic and political crises, these uncertainties are intensified by the pressure of timing, which further heightens tensions within political leadership and affects the relationship between the leaders and the society they govern. Drawing an analogy to the fog of war, we can refer to a fog of crisis that political leaders strive to clear through a rapid and reliable flow of information. By enhancing understanding of the crisis, they aim to alleviate these tensions. In my paper, I will examine how well the Hungarian leadership was informed about the oil crisis that began in October 1973, in the wake of the Yom Kippur War and the OPEC oil embargo. What was the Hungarian ruling party's perception of the impending crisis, and what insights did it seek from foreign sources of information? I will primarily analyze signals from key players in the domestic economy and documents related to foreign intelligence gathering.

## **Moderate panic in the Eastern Bloc**

Two months after the OPEC countries decided to stop oil exports to the United States, the Economic Policy Department (EPC) of the Central Committee of the Hungarian Socialist Workers' Party (HSWP) compiled a strictly confidential report for the Political Committee and the Secretariat. The report detailed the energy-saving measures adopted by neighboring

---

<sup>11</sup> CLAUSEWITZ, Carl von: *On War*. Michael E. Howard and Peter Paret, trsls. and eds. Princeton: Princeton University Press, 1976. 101.

socialist countries, the rationale behind them, and the media's portrayal of these measures.<sup>12</sup> The socialist party leaderships pursued different strategies, which were primarily due to the different internal conditions of the state economies (development, investment, and trade balance) and the differences in their global energy sources. In Bulgaria, the crisis was caused by the state's large-scale purchase of oil from Arab countries on behalf of the Soviet Union, which led to delivery disruptions due to the embargo and resulted in shortages in the country. In Yugoslavia, the reasons were also identified as disruptions to shipments from the Middle East, rising oil prices, and insufficient domestic energy production capacity. Poland's energy-saving measures surprised the authors of the report, as the country continued to "maintain exports of certain petroleum products and even increase exports of Polish coal." According to the report's authors, the Polish leadership wanted to take advantage of the boom in these products, even at the cost of restricting public vehicle use (the state vehicle fleet was reduced by 1,500 cars), introduced new speed limits, and reduced heating oil consumption in the country.

Romania introduced similar measures, but in addition to increasing exports of petroleum products to the West, it also adopted drastic energy conservation rules.<sup>13</sup> Romania implemented a distinctive energy strategy within the Eastern Bloc by not sourcing its petroleum from the Soviet Union. The Romanian party leadership imposed several restrictions, including limiting the amount of gasoline available for purchase by private individuals to 40 liters per month in winter and 70 liters in summer. Citizens could only acquire vouchers for this gasoline from the police station. Additionally, public lighting was cut by half, and public institutions, hotels, and companies were restricted to using bulbs with a maximum wattage of 25. Indoor temperatures in workplaces and private homes were capped at 16–18 degrees Celsius. At the same time, the government suspended or slowed down energy-intensive investments, limited production, and planned for temporary plant closures. A report from the Hungarian Embassy in Bucharest at the end of December indicated to political leaders that the energy-saving initiative had been preceded by an extensive propaganda campaign.<sup>14</sup> In late

---

<sup>12</sup> Information on energy conservation measures introduced in socialist countries and Hungary's oil supply situation (December 22, 1973). MNL OL M-KS 288. f. 24/1973/1. ő. e. 135–141. The report was compiled using information from the Economic Policy Department, news agencies, press reports, the Ministry of Foreign Trade, foreign trade companies, and foreign trade offices. It is the first document to provide a serious assessment of the crisis's effects and the measures implemented abroad. While there were initiatives within the Hungarian party apparatus to evaluate the domestic impact, gathering all necessary information and reaching conclusions took time.

<sup>13</sup> The report notes that Hungary also purchased Romanian gas oil through an Austrian company.

<sup>14</sup> Repercussions of energy conservation measures in Romania (December 29, 1973) MNL OL XIX-J-1-j-1974 III.14.

autumn and winter, panic gripped the country: hotel guests complained of colds, students were forced to study for exams in dimly lit rooms, heating in dormitories was practically turned off, and public transport became increasingly crowded as fuel restrictions were accompanied by service cuts. When the snow began to fall, fewer snowplows were on duty, further hampering transport. Heating in residential buildings was turned off for hours at a time, and people lined up at local councils and police stations to get gasoline coupons, only to then wait at gas stations for gasoline and heating oil. However, according to the report, discontent was coupled with apathy, meaning that people were not particularly comforted by the fact that the austerity measures would increase Romania's energy exports, allowing the party to take advantage of the global economic boom. In addition, price adjustments were also expected for raw materials in Hungary's eastern neighbor.

The EPD report notes that in Czechoslovakia and the German Democratic Republic, attempts to overcome the crisis were limited to continuing the previous occasional power restrictions. The report also touched on the oil import situation in Hungary, which it deemed secure for 1973. In addition to large-scale Soviet oil deliveries, Hungary also received 650,000 tons of oil from Iraq. However, the purchase price of the latter doubled as a result of the global oil crisis. The report estimated that an additional 200,000 tons of oil would be needed to meet the country's crude oil demand in the first quarter of 1974. This was to be secured through a transaction whereby one of the Soviet Union's capital obligations would be settled with oil purchased by Hungary from the Middle East, in exchange for which Hungary would receive Soviet oil through the Friendship oil pipeline.

This optimism was somewhat contradicted by the proposal put forward a month later, at the end of January 1974, by the Ministry of Foreign Trade, the National Planning Office, and the Ministry of Heavy Industry for the HSWP Central Committee's Committee on International Economic Relations. In addition to the causes of the oil crisis, the proposal also addressed the effects on energy consumption and the economy of socialist countries, while at the same time formulating proposals for the Hungarian position to be represented during the CMEA negotiations.<sup>15</sup> The report provided a primarily economic rather than political explanation for the oil crisis: according to the report, oil-exporting countries would have restricted their oil exports even without the Yom Kippur War, mainly due to the accumulation of stocks in Western Europe and monetary instability. According to this explanation, the United States

---

<sup>15</sup> Submission to the Committee on International Economic Relations on the capital energy situation and its impact on CMEA countries and the Hungarian position on this issue (January 21, 1974) MNL OL M-KS 288. f. 24/1974/41. ö. e. 74–79.



was not only affected by the oil shortage but also by the decline in the capacity of Western European refineries. The United States supplemented its own production with imports from Venezuela and Canada, with Arab oil accounting for only a small proportion of its imports. However, the relocation of the oil refining sector to Europe, which had both profit-maximizing and environmental considerations, also made the US economy vulnerable. The report highlights that Western Europe was particularly affected by the crisis, having begun to accumulate stocks as early as the beginning of 1973, while the foreign exchange reserves accumulated by Arab oil-producing countries in European banks lost value due to inflation. The oil exporters therefore decided that it would be better to keep the oil in the ground and drive up its price, as the energy-hungry Western countries were able to pay the highest price for it. The reporters believed that Western countries would make their populations pay for the higher prices resulting from the energy shortage, thereby fueling anti-Arab sentiment. The latter was already a political goal, as these countries could have managed with their accumulated reserves.

Overall, there were expectations for energy conservation to evolve into a national program in the West. Consequently, previously untapped resources in the United States, such as Alaskan oil, oil shale, and nuclear energy, would be explored, while Western Europe would shift toward developing nuclear energy. Furthermore, the anticipated effects of the crisis were projected to extend to the industrial and agricultural product markets, significantly impacting the chemical industry and leading to supply disruptions and price increases. This crisis was not confined to capitalist nations. The introduction to the proposal indicated that, although the "Western" oil crisis did not directly affect the CMEA countries, it could still disrupt the Eastern Bloc due to interruptions in the production and trade of oil-based chemical products. Despite 80–90% of the oil needs of the CMEA economies being met by the Soviet Union, and Hungary importing only 10% from third countries, the rising costs of chemical production and production disruptions raised concerns about significant price increases for products where the CMEA countries were net importers, including plastics, plasticizers, organic alcohols and dyes, pesticides, synthetic fibers, alkalis, and certain fertilizers. Simultaneously, the document noted that the relatively stable price system for trade among CMEA countries could diverge from international trade prices, both in nominal and relative terms, due to persistently high world market prices. The proposal also mentioned, as confidential information not to be discussed in CMEA negotiations, that this divergence had the most detrimental effect on the Hungarian economy within the Soviet bloc, attributed to the unique characteristics of the

Hungarian price system. The forecast anticipated a contraction of Western export markets and a reduction in import opportunities, potentially leading to a return to some form of barter trade. However, the proposal stated that this exchange of goods for goods would only be feasible within the CMEA to a limited extent because of various shortages of goods not produced in any of the CMEA countries. The document concluded that, alongside closer coordination between the CMEA economies, Hungary should support the Soviet initiative to establish a new international regime at an international conference involving both oil-exporting and oil-consuming nations.<sup>16</sup>

The compilation prepared by Ministry of Heavy Industry for the EPD a few days later already made specific proposals for domestic energy conservation, both in heavy industry and for the general public.<sup>17</sup> The compilation titled *The Impact of the Arab Oil Embargo on Our Energy Situation* proposed a 250,000-ton reduction in crude oil imports from capitalist countries during the first quarter of 1974. The maximum utilization of coal-fired power plants, along with increased natural gas production and gas oil yield, would achieve this reduction. Within the context of the "people's economy," it suggested the potential for raising both producer and consumer prices for gas oil and fuel oil, as well as an increase in gasoline prices. The document emphasized the necessity of developing investments aimed at increasing coal use in power plants and implementing further energy-saving measures (e.g., replacing fuel oil, investing in energy rationalization) as part of the preparation for the next five-year energy policy plan. It also highlighted the desirability of finding alternative sources for Western chemical imports or replacing them, and it viewed the domestic production and distribution of oil stoves as something that should be restricted. Furthermore, it argued that media should primarily focus on energy conservation and elucidating the crisis stemming from the capitalist world, rather than endorsing "ineffective, unnecessarily burdensome, and annoying austerity measures such as replacing light bulbs or turning off lights."<sup>18</sup>

The institutions of the state-planned economy and the sectoral ministries provided accurate information and forecasts regarding the effects of the oil crisis, which was intensifying by the end of 1973. They made forward-looking recommendations to alleviate energy shortages or constraints in critical sectors. The reports acknowledged that oil supplies from the CMEA,

---

<sup>16</sup> France launched a similar initiative, while the United States, on the other hand, broke a lance for "politically colored" cooperation among consumers, which was referred to in the Hungarian press at the time as the "oil NATO."

<sup>17</sup> The impact of the Arab oil embargo on our energy situation (January 25, 1974). MNL OL M-KS 288. f. 24/1974/14. ő. e. 96-99.

<sup>18</sup> Ibid. 99.

primarily from the Soviet Union, offered some protection against the initial waves of the crisis triggered by rising oil prices. At the same time, it was recognized that indirect effects would impact CMEA countries, with the Hungarian economy being particularly vulnerable due to its export exposure. The reports countered the assertion that the policies of capitalist monopolies were responsible for the crisis. In contrast to the official party line that emerged later, they conveyed a nuanced understanding of the interests and roles of various international economic actors and groups, including the United States, Western European economies, and Arab oil exporters.

### **Arab oil, growing socialist needs and Western strategies**

An ambassadorial report written in February 1974 took a differentiated view of the likely strategies of both the oil producers and the Western capitalist countries.<sup>19</sup> Analyzing the situation in the Middle East, the ambassador in Tehran emphasized that Iran successfully convinced oil producers at the OPEC conference in Tehran to raise the price of crude oil further. The Persian state aimed to avoid runaway inflation to ensure the success of its five-year development plan and deemed stable import conditions necessary. According to the report, Iran's nationalization efforts in the oil sector were accompanied by the establishment of a new system of relations, primarily with European countries and Japan, focusing on long-term economic agreements and research and development collaborations. He noted the strategic considerations of economically less developed countries in relation to Iran: they also had no interest in rampant inflation. However, Saudi Arabia and the Gulf states sought barter agreements with the United Kingdom and France while struggling to secure the labor force necessary for capacity development. These states began large-scale armament, primarily through European imports, to maintain their internal dictatorial regimes and deter the ambitions of their neighbors. The Iranian ambassador's report also addressed the rifts between capitalist states and the new Middle East policy of Western Europe and Japan. According to the report, the latter would emphasize developing bilateral relations, which could threaten the American monopoly on oil exports from the region to Europe. It concluded that the emergence of Western European states as independent oil buyers and arms exporters in the Middle East fundamentally jeopardized the position of the United States. In other words, Americans must contend with the rise of a longer-term economic and political rivalry in the

---

<sup>19</sup> The international oil crisis and the Middle East (February 4, 1974). MNL OL XIX-J-1-j-1974 III. 14.

Middle East, the first stage of which will involve settling their relations with Egypt, weakened by the Yom Kippur War, the report concludes.

A few days later, Richard Nixon and Henry Kissinger intensified their diplomatic efforts and organized a conference of oil-importing countries in Washington. Several oil-producing countries reacted hostilely to the news of the conference: Libya nationalized three American oil companies at the time of the event and welcomed France's move to form a European-centered organization to counter American dominance.<sup>20</sup> The Hungarian embassy in Washington sent a detailed report on the results of the conference and the "political divisions among the leading capitalist countries."<sup>21</sup> According to the report, diplomats from NATO member states believed it was necessary to convene the conference because "the oil crisis had led to the emergence of divergent strategies and internal political crises in individual countries, threatening to break up Atlantic capitalist economic cooperation." The report continues by stating that this situation could have resulted in "fundamental security policy disintegration and the loosening of the NATO structure." Consequently, it identifies the primary objective of the Americans as fostering a new Atlantic unity under Washington's leadership, even if it meant excluding reluctant participants, such as France and Japan. Additionally, the report posits that another goal of US foreign policy is to empower the largest oil-importing countries to exert greater pressure on oil-producing Arab nations through unified action. The foreign affairs report concludes, perhaps with a hint of malice, that such an agreement and collaborative effort would further reinforce US oil monopolies in the marketplace. Finally, it notes developments in US domestic politics, asserting that "the foreign policy initiative is diverting attention from US domestic politics," especially considering the advanced stage of the Watergate affair.<sup>22</sup>

The countries of the Common Market sought contact with each other immediately prior to the conference, as all European states were interested in establishing bilateral economic relations with oil exporters and assumed that the end of the oil embargo would soon be announced. France was most likely to pursue a separate policy, partly because it wanted to become the leading political force in the Common Market, and partly because its existing framework agreements with Arab countries, and especially its favorable relations with Algeria in terms of

---

<sup>20</sup> Libyan assessment of the Washington oil conference (February 19, 1974). MNL OL XIX-J-1-j-1974 III. 14.

<sup>21</sup> Oil conference of leading capitalist countries in Washington. MNL OL XIX-J-1-j-1974 III. 14.

<sup>22</sup> Two weeks after the oil conference, a Washington grand jury indicted President Nixon's aides on charges of obstructing the Watergate investigation.

energy policy, predestined it to do so.<sup>23</sup> The fact that France did not accept certain points of the action plan in advance but ultimately supported the establishment of a joint committee and the scheduling of further consultations was largely due to Kissinger's success in playing the European states off against each other. The Hungarian embassy in Washington believed that US foreign policy was exerting pressure primarily on the Federal Republic of Germany and Japan, holding out the prospect of cuts in security funding for these countries and, ultimately, the withdrawal of US troops.

The US foreign policy of "scheming" to break up European unity and thwart French plans had thus triumphed. This was confirmed by reports from the ambassadors in The Hague and Paris. The Netherlands emerged as the strongest supporter of the US position.<sup>24</sup> The report assumed that the political leadership of the two countries had continuously coordinated their steps, primarily to prevent further price increases. According to the report of the Hungarian embassy in Paris, there were "echoes of retreat" in the French capital.<sup>25</sup> Domestic political differences also reflected the attitude towards the United States and the plan for Atlantic economic integration. Therefore, according to the report, France's independence should not be overestimated, not to mention the fact that the country's defense capabilities continued to require the "American nuclear umbrella." European unity thus continued to be considered possible in the defense of American military power, in line with American ideas. Meanwhile, it was felt that France was seeking opportunities for engagement with the Third World, the content and economic benefits of which still seemed questionable at the time. The countries of the socialist bloc did not expect Paris to engage in economic activity with them, as they believed that the French were primarily focused on the Middle East and remained sharply opposed to the leadership of the Eastern bloc in the political and ideological spheres.

In July 1974, a twenty-page study arrived from the Hungarian embassy in Moscow on the effects of the oil crisis and oil policy.<sup>26</sup> The summary was prepared by the analyst András Paulina, who outlined the prospects of the crisis based on English, German, French, and, of course, Soviet sources. With regard to the socialist countries, he explained that thanks to the predominance of Soviet oil imports and the uninterrupted flow of oil through the Friendship pipeline, they had so far been "only minimally affected by oil and energy conservation

---

<sup>23</sup> On the Franco-American strategic confrontation and the French concept of Europe, see: Aurélie Élisabeth GELLER: *Building a European Identity: France, the United States, and the Oil Shock, 1973–1974*. New York–Oxford: Berghahn, 2012.

<sup>24</sup> The Netherlands' position at the Washington Energy Conference (March 5, 1974) MNL OL XIX-J-1-j-1974 III.14.

<sup>25</sup> France and the Washington Conference (March 7, 1974). MNL OL XIX-J-1-j-1974 III.14.

<sup>26</sup> PAULINA András et al.: Oil crisis and oil policy (July 8, 1974). MNL OL XIX-J-1-j-1974 III. 14.

measures." The exception was Romania, which did not obtain its crude oil from Soviet imports and, as we have seen earlier, introduced drastic energy conservation measures. However, Czechoslovakia covered 99% of its oil needs from the Soviet Union, while Hungary's share was 68%. In the future, however, these countries will also need to diversify their sources of supply, the report stated. It was calculated that oil imports would increase from 80 million tons in 1974 to 170 million tons in 1980, but despite planned Soviet oil exploration and investment, the CMEA countries would have to procure 70 million tons from other markets. Paulina and his colleagues considered African and Middle Eastern oil sources to be the most suitable for this purpose.<sup>27</sup>

The report indicated that forecasts suggested Soviet supplies would not suffice to meet Poland's increasing oil demand by 1975. Consequently, Poland entered into an agreement with Iran and British Petroleum to supply 3 million tons of crude oil annually to the Gdańsk oil refinery, which had been operational since 1975. Additionally, the Soviet Union signed a research agreement with the Iraqi National Oil Company (INOC), with the Romanians also securing a research and production contract with INOC. The Middle East was actively seeking joint investments not only with socialist countries. As noted in the summary, the Shah of Iran signed an agreement with the Federal Republic of Germany whereby the two nations would construct an oil refinery on Iranian soil with a capacity of 25 million tons per year, each covering 50% of the costs. This initiated a competitive pursuit of a share in Middle Eastern investments and the development of new market relations, although the KGST countries felt a sense of (energy) security at the time due to the anticipated abundance of Soviet oil. Therefore, it was crucial for socialist countries, including Hungary, to understand the future perspectives of oil-exporting nations in the Third World.

## **Price increases and the Soviet turn**

In February 1974, however, the political leadership was preoccupied not with the threat of a united front being formed by the US, but with personnel changes within the party leadership and its transformation. Indeed, the fate of the reforms was in jeopardy, and in response to mounting Soviet pressure, the Political Committee removed the representatives of the new economic mechanism at its February 1974 meeting. The political leadership therefore had to

---

<sup>27</sup> In 1974, an agreement was signed on the construction of the Adria oil pipeline, which would have transported oil from the Middle East to Hungary via Yugoslavia and, through a connection with the Friendship oil pipeline, to Czechoslovakia. The oil pipeline was completed in 1978, and the first oil shipments arrived in 1980.

respond to not one but two crises: the exogenous factor was the rise in oil and raw material prices, while the endogenous challenge was the need for the leadership to restructure itself. The latter was brought to the fore to such an extent that the planned reports for the next Central Committee meeting almost completely omitted any discussion of the nature and effects of the oil crisis.

In a confidential memo to Zoltán Komócsin, member of Political Committee, Kádár pointed out this omission from the Central Committee's agenda and suggested how the issue should be addressed. "In the meantime, another question came to mind, and so that I don't forget, I am writing it down here: We need to take a stand, publicly, on the energy and oil problem. Pointing out how the large international monopolies have used this to make profits, cause panic, stir up anti-Arab sentiment, etc. Rejecting these, we should publicly support the UN General Assembly initiative launched by Algeria on behalf of the non-aligned states. It should be emphasized, in line with the Soviet position, that a solution must be sought that takes into account the real energy and raw material problems of the world, the legitimate interests of developing countries, and the general interests of all countries and peoples. If you agree, discuss the issue with Comrades Pullai and Óvári."<sup>28</sup>

In his report on the Central Committee meeting a week later, Árpád Pullai outlined the party's official position on the oil crisis. This position aligned with the brief statements made by Kádár but followed the arguments presented in the previously mentioned documents.<sup>29</sup> The oil crisis arose from the conflict between developing countries, which produced half of the world's oil, and developed capitalist countries, which consumed 90% of it. The Arab states previously engaged in a struggle against large oil monopolies, mainly owned by American companies, to secure a greater share of profits through nationalization, the ending of concessions, and the expropriation of shares. They viewed the embargo as a new phase in this strategy, employing political means to achieve economic objectives. In response, the oil monopolies attempted to raise prices through accumulation and stockpiling strategies, resulting in the strengthening of the dollar against Western European currencies, as explained by Pullai. However, he characterized the energy-saving measures implemented by Western European governments as politically motivated, suggesting that these countries could have managed the past few months using their reserves. In essence, they were attempting to incite

---

<sup>28</sup> Memorandum from János Kádár to Zoltán Komócsin (March 11, 1974) MNL OL M-KS 288.f. 32/b. 1974. 133. ő. e. 90. At that time, Árpád Pullai was the foreign affairs secretary of the (HSWP), while Miklós Óvári was the leading politician responsible for ideology.

<sup>29</sup> Minutes of the extended meeting of the Central Committee of the HSWP (March 19–20, 1974) MNL OL M-KS 288. f. 4/125–126. ő. e. 14–17.

anti-Arab sentiment among the populace. The report also indicated that the oil crisis would impact socialist countries due to rising world market prices and deteriorating price ratios. On the international front, Hungary backed Algeria's initiative to organize a UN conference to discuss international exchange rates. The communiqué released after the Central Committee meeting categorized the oil crisis as a reflection of the internal issues within the capitalist system, alongside inflation and political instability.<sup>30</sup> Although the state party appeared to have provided a definitive explanation for the causes of the oil crisis, the consequences emerged sooner than expected, already during the summer. On the one hand, the price increases planned for 1975 had to be brought forward to September 1974, and on the other hand, the Soviets indicated that they wanted to change the previous oil supply agreement.

In June 1974, the Political Committee discussed twice the course of possible price increases and their expected political and social impact, as an alternative proposal had been received from the EPD, which was presented to the Political Committee by department head Imre Párdi. The proposal suggested that the prices of gasoline, diesel fuel, and residential heating fuel be raised not at the beginning of 1975, but on September 1, 1974.<sup>31</sup> In the debate on the 40% increase in gasoline prices, many supported austerity measures and unanimously endorsed the proposal, while the related fuel price increases and compensation measures sparked controversy. In this context, politicians from the "workers' opposition" referenced the social response to the draft that had already been confirmed by the Council of Ministers and the Economic Policy Committee. Meanwhile, reform representatives, such as Rezső Nyers<sup>32</sup>, deemed a rapid and simultaneous increase to be appropriate. The question also arose in another dimension regarding the income increases outlined in the five-year plan: what income-raising measures could be implemented alongside the price increases to ensure sufficiency (such as wage increases, pension increases, and increases in child care allowances)? Although János Kádár was initially inclined to raise the price of solid fuel only starting in early 1975, he supported this version of the EPD's plans at the Political Committee

---

<sup>30</sup> Communiqué on the meeting of the Central Committee of the Hungarian Socialist Workers' Party on March 19–20, 1974. *Népszabadság*, March 22, 1974.

<sup>31</sup> Minutes of the meeting of the Political Committee of the Central Committee of the HSWP on June 4, 1974. MNL OL M–KS 288. f. 5/638. ó. e.

<sup>32</sup> The renowned leader and organizer of the reform of the socialist economy, Nyers was no longer the Central Committee's secretary for economic policy at this time but remained a member of the Political Committee until March 22, 1975, when the 11th Congress of the HSWP was held.



meeting held two weeks later. The Political Committee approved the price increase, and broader information was scheduled to be released by mid-July.<sup>33</sup>

As expected, on July 8, the Agitation and Propaganda Department (APD) reported that the grassroots organizations had “calmly and with understanding acknowledged the information about the price increases,” but the report was unable to conceal the latent dissatisfaction on some issues.<sup>34</sup> The state party's public opinion anticipated certain price increases due to rising world market prices and accepted the reasons behind them. However, the report indicates that the majority did not foresee price increases in 1974 and were primarily concerned about the rising fuel prices and the resulting inflation. The APD report gathered the issues that were of greatest concern to the party's public opinion. Alongside the timing and social imbalances related to the income-raising measures, a recurring question in the broader Hungarian society was, "Since we obtain most of our energy from the Soviet Union, why did prices need to be raised?"<sup>35</sup>

The aforementioned embassy secretary report, prepared in Moscow in the summer of 1974, reported on the successes of the Soviet Union's oil production, but also on its technological problems.<sup>36</sup> By the end of 1973, total production exceeded the target of 429 million tons of crude oil, and it was estimated that by the end of 1975 it could reach 500 million tons. This success reinforced the Soviet Union's "incomparably advantageous position" vis-à-vis Western Europe. However, the Soviet planning agency, Gosplan, was dissatisfied because the oil recovery rate was not satisfactory, meaning that a significant amount of oil remained unproduced, which they believed could only be improved with new production capacity costing billions of rubles. The Soviet Union could only increase production in Azerbaijan with the help of other CMEA member states, as was the case with the new wells in Eastern Siberia. A joint crude oil production plan was also drawn up with Japan for the deposits on the continental shelf of Sakhalin Island, based on a ten-year economic plan. The Soviet demand for international cooperation, especially within the CMEA group, was well known even before the crisis. However, it came as a complete surprise to the Hungarian leaders

---

<sup>33</sup> Minutes of the meeting of the Political Committee of the Central Committee of the HSWP on June 17, 1974. MNL OL M–KS 288. f. 5/639. ő. e.

<sup>34</sup> Informative report to the Political Committee on the response to the information provided on price and income increases (July 8, 1974) MNL OL M–KS 288. f. 22/1974/1. ő. e. 12–14.

<sup>35</sup> Ibid. 14.

<sup>36</sup> PAULINA et al.: Op. cit. On Soviet oil policy, see: Oscar SANCHEZ-SIBONY: Energy and Soviet Economic Integration: Foundations of a Future Petrostate. In: Elisabetta Bini–Giuliano Garavini–Federico ROMERO (eds.): Op. cit. 222–244. On the Soviet Union's energy trade and energy policy trends from the 1970s onwards, see: Thane GUSTAFSON: *Crisis amid Plenty: The Politics of Soviet Energy under Brezhnev and Gorbachev*. Princeton: Princeton University Press, 1989.

(among others) that the Soviet Union intended to partially align itself with world market prices in order to increase production. The reason became clear in late summer 1974.

Earlier, Rezső Nyers, at the Political Committee meeting on June 4, which I already mentioned, argued for raising gas prices like this: "I would like to make a theoretical and practical comment. My theoretical comment is that this is a question of the law of value and price levels; the CMEA countries also operate at world market prices. CMEA prices follow world market price changes more slowly. But they are still following them, they are not catching up, but they are moving in that direction. Domestic pricing policy is based on world market prices, CMEA and domestic prices. No socialist country can completely break away from world market prices. Only to varying degrees. We are currently making money on oil. The Soviet Union did not raise oil prices until January 1, 1976. At the same time, I would like to note that in 1974, the prices of many other goods changed; the price of oil in the Soviet Union also fell, and we were no longer making a profit in terms of overall trade. What I am trying to say is that we need the temporary additional income from oil, but it is not simply a source of prosperity. Should we raise the price of gasoline? The position is clear! We must raise it! A modest increase of 40 percent will be sufficient, because by 1978, CMEA prices among socialist countries will rise by around 100 percent."<sup>37</sup>

The political leadership did not anticipate changes in the price of Soviet oil and thus the modification of the price system established at the 1958 CMEA meeting in Bucharest, but with the deterioration of the situation, they did anticipate it all the more. However, it matters what the leadership is counting on: that Soviet oil exports will slowly become less profitable for them, or that the changed trade ratios will make it difficult to meet domestic needs. The overly optimistic assessment of the situation on the Hungarian side is confirmed by the memos of the talks between Hungarian Foreign Trade Minister József Bíró and his Soviet counterpart, Nikolai Patolichev.<sup>38</sup> At the meeting on August 21, 1974, Patolichev articulated the Soviet side's request for an adjustment of the contract prices starting in 1975. He stated that the new prices should be based on "world market prices" for the relevant year. For the period from 1976 to 1980, the five-year price base would be shortened to three years through multilateral negotiations within the CMEA. The Hungarian side rejected the memorandum,

---

<sup>37</sup> Minutes of the meeting of the Political Committee of the Central Committee of the Hungarian Socialist Workers' Party (HSWP) on June 4, 1974, MNL OL M-KS 288. f. 5/638. ő. e. 107.

<sup>38</sup> On the background to the Soviet price adjustment and its consequences, see: István FEITL: Against the Allies of the Soviet Union. Recognition of the global economic transition in domestic economic policy. *Múltunk*, 2020/2. Online appendix. Source: [http://www.multunk.hu/wp-content/uploads/2020/08/feitli\\_20\\_2.pdf](http://www.multunk.hu/wp-content/uploads/2020/08/feitli_20_2.pdf) (Downloaded: December 20, 2023)

mainly citing Bíró's argument that "the magnitude of the price differences would impose a burden on us that we could not bear either politically or economically."<sup>39</sup> According to the memorandum regarding the new negotiations, Patolichev expressed his disappointment with the "unconstructive" response. More importantly for our purposes, the Soviet foreign trade minister conveyed his surprise that the Hungarian side was citing economic stability, as it is widely recognized that "there is no stability in the world." He noted that "since 1973, a qualitatively new situation has arisen in the world economy, the direction of which is irreversible," and emphasized that "the gap between the prices of raw materials and finished products cannot be widened again." Patolichev also pointed out that the Hungarian side's proposal to use the years 1970–1974 as the basis for price adjustments in its response "would prove that no changes had taken place in the world."<sup>40</sup>

After several high-level consultations during the year, the PB decided to defend the Hungarian position and resist the Soviet attempt at price adjustments. The matter reached the level of an exchange of letters between János Kádár and Leonid Brezhnev in November 1974, but due to difficulties in reconciling the two positions, the parties were only able to reach agreement in February 1975.<sup>41</sup> However, the negotiations in late summer and early autumn suggest that the Hungarian political leadership was unwilling to abandon its assessment of the effects of the crisis. Such an attitude was clearly not due to a lack of knowledge about the crisis, as indicated by the reports cited above and the forecasts of economic experts not mentioned here regarding changes in global economic trends. The "lack" of knowledge about the crisis may have been a tactical delaying tactic during the Hungarian-Soviet negotiations, but there are also deeper reasons.

The end of the current five-year plan and the approaching congress, coupled with the constraints of previous commitments, prevented the Hungarian leadership from considering comprehensive changes. These events created a state of inertia, as the government, which was already in a leadership crisis, was unable to make any major changes, so it either resorted to the tried and tested recipe (borrowing, price increases) or began to postpone changes. The official ideological explanation of the oil crisis as a crisis of capitalism provided a convenient ideological backdrop for this, which was echoed in the resolution of the 11th Congress of the

---

<sup>39</sup> Report on the negotiations with Comrade Patolichev on August 21 (August 26, 1974). MNL OL M-KS 288. f. 24/1974/12. ő. e. 53–59.

<sup>40</sup> Report on the meeting with Comrade Patolichev on September 18 (September 19, 1974). MNL OL M-KS 288. f. 24/1974/12. ő. e. 100–101.

<sup>41</sup> On the exchange of messages between Kádár and Brezhnev and the Hungarian–Soviet negotiations, see: György FÖLDES: *Kádár János külpolitikája...* op. cit. pp. 177–183.

HSWP. However, nothing could have been further from the truth than the party congress's treasury optimism and the party propaganda's euphemistic portrayal of the crisis. During his meeting with Polish First Secretary Edward Gierek in Budapest in October 1977, János Kádár expressed his dissatisfaction over the significant burden the rising global energy prices were placing on the Hungarian economy, requiring an additional expenditure of 2.5 billion rubles and 2.5 billion dollars in the current five-year plan.<sup>42</sup>

In the long term, however, the rise in energy prices had an even greater impact on the economies of the Eastern Bloc. With their traditional production structures and reliance on Soviet oil supplies, the Eastern European economies lagged behind in the developments that would characterize the Western (and Asian) economies in the coming decade. The accumulated debt and the aforementioned development lag made the socialist economies completely uncompetitive with the West by the 1980s.<sup>43</sup> These processes contributed decisively to the economic and political collapse of the Soviet Union and, with it, the socialist satellite states.<sup>44</sup>

## Conclusion

By the end of 1974, the oil and energy crisis that had started a year earlier was not only evident on this side of the Iron Curtain but had also become a topic of everyday public discourse. With nearly a year passed, the question shifted from whether the Hungarian economy had remained stable despite the adverse effects on the world market to the extent to which Soviet energy supplies and relations with CMEA could provide security against the ongoing impacts of the crisis. By that time, the Hungarian economy had already experienced a series of smaller price increases at the beginning of the year, along with a larger one anticipated in September. In April, the Hungarian National Bank proposed a loan ranging from USD 50 to 100 billion from banks in the United States, which was also facing a crisis, and this application was swiftly approved by the Secretariat of the Central Committee of the

---

<sup>42</sup> Miklós MITROVITS: *A szocializmus csapdájában. . Politika, gazdaság, kultúra és sport a magyar–lengyel kapcsolatokban (1945–1990) [In the Trap of Socialism: Politics, economy, culture, and sports in Hungarian–Polish relations]*. Budapest: HUN-REN, 2023, 270–271.

<sup>43</sup> On the Soviet-sourced energy supply structure of the Eastern Bloc that led to crisis, see: Lorenz M. LÜTHI: *Drifting Apart: Soviet Energy and the Cohesion of the Communist Bloc in the 1970s and 1980s*. In: Jeronim PEROVIĆ (ed.): *Cold War Energy: A Transnational History of Soviet Oil and Gas*. Cham: Palgrave Macmillan, 2017. 371–399. DOI: [https://doi.org/10.1007/978-3-319-49532-3\\_13](https://doi.org/10.1007/978-3-319-49532-3_13)

<sup>44</sup> Yegor Gaidar, the architect and implementer of Russia's economic reforms and shock therapy in the 1990s, saw the main cause of the collapse of the Soviet economy in the inefficient use of revenues from energy exports. See: Yegor GAIDAR: *Collapse of an Empire: Lessons from Modern Russia*. Washington: Brookings Institute, 2007.

HSWP.<sup>45</sup> The Soviets announced during the summer that they would modify the previously agreed price of imported energy. Despite the Hungarian party and state leadership's assurances of continuity, they felt compelled to act in order to maintain the illusion of stability dictated by the crisis's nature. The issue did not arise from the Hungarian leadership's inability to recognize the seriousness of the situation or to assess its consequences. The Hungarian economy was on a trajectory influenced partly by the errors of the state-socialist planned economy and partly by the position it had established in the international economy over the past decade. Thus, the journey toward the worsening crisis in Hungary was prolonged, further aggravated by the oil crisis that began at the end of 1973. Meanwhile, the HSWP continued to cling to its ideological narrative regarding the neocolonialist strategies of capitalist powers, their rivalries, and the quasi-global political influence of monopolies in the context of global energy trade. During the 1973–1974 crisis, documents from party and state bodies indicated a steady flow of information about the crisis, while party and state propaganda and information policies aimed to uphold ideological and economic continuity. However, the political and economic indecision surrounding the crisis primarily stemmed from changes in leadership and the crisis's perceived “untimeliness.”

---

<sup>45</sup> Proposal to the Secretariat for taking out foreign loans (April 27, 1974). MNL OL M–KS 288. f. 24/1974/3. ő. e. 80–82. See also Attila MONG: *op. cit.* 156–157.