

THE SECOND WORLD WAR

The second world cataclysm began here, too. For half a decade, Hitler's Third Reich had been systematically building and expanding its *Lebensraum*. Already during the 1930s, the countries of Eastern and Southeastern Europe, suffering from the world-wide economic crisis, from lack of markets and of foreign currency, became more and more tightly bound to a Germany only too willing to trade with them. Between 1929 and 1937, Germany imported 37 per cent of her grain from this area, as opposed to the previous 2 per cent. German imports of meat from these countries jumped from 7 to 35 per cent; of lard, from 0 to 31 per cent; of bauxite, from 37 to 62 per cent; of metals, from 3 to 30 per cent. Trade with Germany accounted for about a quarter of Hungary's, Roumania's, and Yugoslavia's foreign trade; and for about half of Bulgaria's exports.

Austria, Czechoslovakia and Poland presented a different picture. Germany's trade with these countries declined, for Hitler's plans for them were essentially different. The Nazi's aggressive policy of expansion called for the direct annexation of these countries. With the execution of the Anschluss on March 12–13, 1938, the war, though as yet bloodless, had, in fact, started in Central and Eastern Europe. A few months later, on September 29, the Munich Agreement provided for the dismemberment of Czechoslovakia; on October 1, the Germans occupied the Sudetenland to initiate this process. On November 2, the so-called "First Vienna Compromise" gave Slovakia's southern, predominantly Magyar populated area to Hungary. The independent Slovak puppet-state came into being in March of 1939, and Hitler annexed what remained of Czechoslovakia. Hungary annexed Ruthenia. Although there was no World War yet, the next month, another state of the area lost its independence: on April 7, Fascist Italy invaded Albania.

One consequence of all the above was that, by 1939, the countries of the Danube basin were veritably shackled to Germany through the absolute dominance of its economic influence. Hungary, Roumania and Yugoslavia generally conducted half, and Bulgaria 70 per cent of their foreign trade with Germany. It was, however, by far no longer a matter merely of regular foreign trade, but of the Nazis' economic dictation. It was thus that the leader of the Hungarian delegation at the German-Hungarian trade conference of February 1939 summed up the situation: "There is evidently a general tendency to wish to see Hungary reduced to the level of a producer of raw materials."* The German memorandum submitted to the Hungarian

*Hungarian National Archives, Ministry of Foreign Affairs. Economic Policy Division. 1939 Res. 30.

Government demanded that "Hungarian agriculture be suited more closely to the demands of the German market", and opposed the general development of Hungarian industry, Germany requiring only the products of Hungary's food industries. Similar considerations motivated the German demand that Hungary abolish the duties on imports, and cease giving tax and credit preferences to domestic industry. The agreement signed with Roumania the spring of 1939 gave Germany a virtual monopoly over Roumanian foreign trade; joint companies were set up for the exploitation of Roumania's mineral wealth.

Simultaneously, German capital came to acquire decisive influence in Hungary, too: it controlled 13–14 per cent of all industrial shares, and thus half of the country's foreign investments; in Yugoslavia, it controlled 10 per cent, in Bulgaria 13 per cent of the same.

The process of Germany's subjugation of all of East Central Europe came to a tragic turning point on September 1, 1939, when, at the break of dawn, 51 German divisions crossed the Polish frontier. For this move marked the outbreak of the Second World War.

At this time there was not yet a real Western front. The German Army, led by Colonel-Generals von Bock and von Rundstedt, attacked Poland from two sides in a great encircling manoeuvre, and with full force. The Polish Army, though numerically not much smaller than the attacking units, was unsuited to modern warfare. Instead of motorized armoured units, the infantry had 11 cavalry brigades to support it; and the tactics that had been prepared were not defensive, but offensive. The outcome of the battles was decided within a week; most of the heroic Polish troops were trapped and decimated. On September 8, the Germans took Łódź, and were 60 km from Warsaw. They had encircled the capital, and had pushed on to the Bug and San rivers when the Polish Government fled the country. On September 17, the Soviet Government was, in fact, recognizing the disintegration of the Polish State when it declared that it would liberate Western Ukraine and Western Belorussia – dissevered in the course of interventionist battles after the establishment of the Soviet State – and that its troops would cross the previous Polish-Soviet border. In a few days, the Soviet troops reached the Morem-Vistula-San line which, from that time on, served as the official German-Soviet border in accordance with the German-Soviet agreement.

The remnants of the gallant Polish Army capitulated on September 27 in Warsaw. General Sikorski set up a government in exile in London, and many hundreds of thousands of soldiers fled to Hungary, whence most of them went farther west. The Polish State had ceased to exist; its population of 21 million came under German suzerainty. On October 8, Hitler simply incorporated the 9 million inhabitants of Western Poland into the Reich, and started their drastic "Germanization". In the areas that were not incorporated, the "Polish Protectorate" – treated as a veritable colonial area – was established. Hans Frank, the Governor-General, became the lord of life and death in this area of 12 million people. He initiated a reign of terror: of merciless looting, unbridled use of force, murder and political oppression.

Hitler's war machine then turned, as is well known, toward the west. But Southeastern Europe continued to be vitally significant in the Nazi plans for world domination. After the annexation of Austria and Czechoslovakia, and the conquest of Poland, Germany's chances seemed better than ever. Since 1933, but particularly after 1935, Hungary, led by Admiral Horthy and his succession of governments, pinned her hopes of territorial revision ever more unambiguously on the strengthening of her alliance with Hitler's Germany. After Munich, even the hesitant were less anxious, and the revision of frontiers and of the Trianon Treaty initiated by the First Vienna Compromise — aims which had been proclaimed as of the utmost importance throughout two decades — now brought about a shift even farther to the right. For all this, while Teleki was Prime Minister, Hungary tried to balance between the two groups of belligerents, and to preserve her energies for the day that the war should end. Her revisionist claims, however, made it impossible for her to give serious thought to joining any neutral Balkan block.

After the German successes in Western Europe, there was a general scramble by the governments of Southeastern Europe to ingratiate themselves with Hitler. With newer and greater political and economic concessions, in which both interests and threats had played their part, they strove to enhance their positions. As early as June of 1940, the Roumanian government announced its willingness to renounce the British and French guarantees of her integrity. During the same months, Roumania, in keeping with the Soviet ultimatum, renounced the areas taken from the Soviet State in 1918, and ceded Bessarabia and Northern Bukovina. Germany recognized this Soviet demand in the 1939 Pact between the two countries.

Hungary's attitude to Roumania was, however, increasingly menacing, and Bulgaria, too, was on the threshold of armed conflict — a state which, under the circumstances, did not serve Hitler's interests. Germany thus exerted pressure to bring about the problems' resolution through a settlement, and became, in fact, the arbitrating judge in the matter. On August 30, 1940, at the Belvedere in Vienna, the "Second Vienna Compromise" gave Hungary Northern Transylvania, an area of about 43,000 km², with a population of 2.5 million people — mostly Magyars. (However, a minority of 1 million Roumanians thus also found themselves living in Hungary, while half a million Magyars remained in the Roumanian area of Transylvania.) A week later, the Treaty of Craiova gave Southern Dobruja to Bulgaria.

It was not only Hungary and Bulgaria which thus became more staunch allies of Germany. From July 1940, in Roumania, too, it was the extreme right, the supporters of Hitler's plans for Europe and the advocates of a German alliance, which emerged victorious from the domestic crisis which followed the Vienna decision. King Charles II handed over the reins of government to General Antonescu, and abdicated in favour of his son, Michael I, who was still a minor. Antonescu thus became head of state (Conducator), dissolved parliament, and introduced an authoritarian Fascist system of government. He also renewed his earlier request that German military advisors be sent to Roumania. Thus, in October of 1940, two German divisions — formally there to help train the Roumanian troops — took over

the Roumanian oil fields and other strategic points. And in the spring of 1940, the King of Bulgaria asked the Naziphile Prof. Filow to form a government. Soon, Hungary and Roumania joined the newly concluded Tripartite Pact, to be followed by Bulgaria in January. Nazi influence became extraordinarily strong in the area, with Roumania and Slovakia introducing anti-Semitic legislation to please the Germans.

In 1940, Hitler preferred "peaceful" solutions in Southeastern Europe, and opposed the military ambitions of his Italian and Hungarian allies. By 1941, however, after his victories in the west, he was preparing to attack the Soviet Union, and found that the time had come for the further extension of his sphere of influence.

The "Marita-plan", Hitler's No. 20 operational instruction issued on December 13, 1940, again urged a military solution: he wanted to rush to the aid of his Italian ally, and force Greece to capitulate. And on March 1, the units of the *Wehrmacht* set out across the new ally, Bulgaria, toward the Greek border.

On the course of the preparations for the attack, Hitler frankly called upon the Yugoslav Prime Minister, Cvetković, whom he had ordered to Berchtesgaden, to join the Axis alliance. By then, the British Government had started negotiations in Athens, Turkey and Yugoslavia about the establishment of a solid, anti-German Balkan front; however, the modest English expeditionary forces sent to Greece in March could give but little weight to Churchill's initiatives. On March 25, the Yugoslav government finally signed the Axis agreement. Events, however, prevented Yugoslavia from becoming another Nazi satellite. For, on March 27, General Simović's military putsch ousted the government, compelled the royal regent, Paul, to abdicate, and placed King Peter II on the throne. Hitler, on hearing of the events, immediately chose the military solution: he signed operation instruction No. 25, and conjoined the Marita Plan to that for the occupation of Yugoslavia. The German High Command worked throughout the night, and the plan for a comprehensive manoeuvre in the Balkans took shape. On April 6, 1941, Colonel-General List's troops from Bulgaria and Colonel-General Weich's troops marching through Hungary, assisted by Colonel-General Löhr's thousand strong *Luftwaffe*-unit, launched their merciless attack against the altogether 20 divisions of the Yugoslav army.

On April 10, when Zagreb fell, the Croatian Sabor proclaimed the independence of Croatia. While the Italian troops pushed ahead along the Dalmatian coast, Horthy, whom Hitler pressed to enter the war with promises of territorial concessions — using Yugoslavia's disintegration as the excuse, declared null and void the recently signed treaty of friendship and nonaggression, and, after the suicide of the weakly protesting Hungarian Prime Minister, Pál Teleki, set his troops marching toward Bácska. What had been thought to be the strongest Balkan army was defeated in 11 days. On April 17, Yugoslavia surrendered unconditionally.

The Greek offensive had also started, and the German units in Yugoslavia turned southward. The Greek Army was surrounded, and on April 24, Greece, too, capitulated. It was too late to save any of the 60,000 man British expeditionary force. Land warfare in the Balkans had come to an end.

Thus, by the spring of 1941, the *Südostraum* had come totally under German military control. As in Czechoslovakia and Poland, in Yugoslavia, too, the political unity of the state was dissolved, and the country was partitioned. It was the Fascist satellite, Croatia, and Italy which carved significant areas for themselves, the latter annexing Slavonia and Istria, as well as a part of the Dalmatian coast. Northern Slovenia was incorporated into the Third Reich, while Hungary got Bácska. Macedonia was divided between Bulgaria and Albania, and the latter was placed under Italian suzerainty. The rest, a dwarf Serbian state, came under German suzerainty without the slightest chance, or even pretext, of sovereignty.

Even while the drama of the Balkans was being played, Hitler's attention, and that of the German military command, had already turned to "Operation Barbarossa" the preparations for the invasion of the Soviet Union. Along with, and as a part of the military preparations, discussions were also started about the participation of the satellite countries. And since the 34 German divisions stationed in the east near the Soviet border had been augmented to 103 divisions by April of 1941, Antonescu quickly agreed to Roumanian participation in the campaign. By June 11, Hitler outlined his military strategy, and promised Bessarabia and Northern Bukovina as the rewards of cooperation. In turn, the Roumanian government agreed to participate actively in the military operations from the first day of the war.

When in accordance with the Barbarossa plan the Germans attacked the Soviet Union at dawn on June 22, 1941, Roumania was the only one of Hitler's East-European satellites taking part. And she did so with a significant military force: 13 divisions and 9 brigades at the beginning of the offensive, 24 divisions by the fall.

In August, the area between the Bug and the Dniester, now renamed Transnistria, was placed under Roumanian administration with Hitler's consent and in partial fulfilment of Antonescu's vision of a Greater Roumanian Empire. The Hungarian government had not been asked for military assistance, but Horthy and Prime Minister László Bárdossy did not want to lose out on Hitler's good graces to Roumania and Slovakia, which had volunteered to join the campaign. So Hungary eagerly volunteered to intervene against the Soviet Union, and did so, without consulting parliament, on June 27, 1941, using the bombing of Košice as excuse. Throughout 1941, however, Hungary's participation in the war — with but the 50,000 man Carpathian Corps — remained more or less symbolic. In January, 1942, Ribbentrop came to Budapest to convey Hitler's demand for the involvement of all of Hungary's armed force of 28 divisions during the year to come. After some bargaining, 15 Hungarian divisions set out for the Eastern Front shortly thereafter.

Thus, during the three years between the spring of 1938 and the summer of 1941, all of the countries of East Central Europe had either lost their independence, and — defeated, occupied, partitioned and assimilated into the territories of Germany or its allies — had become totally defenceless and subjugated; or had unreservedly joined Nazi Germany. These latter states entered the German alliance system, came under tight economic, political, and not infrequently, military supervision; and, led by satellite governments, became a part of the German

Lebensraum. True, they got no small part of the booty, and were frequently enough rewarded with the annexation of larger territories; but they suffered extraordinarily heavy losses in participating in the campaigns against the Soviet Union.

From 1938, then, and particularly during the first stage of the Second World War, East Central Europe became a part of the Nazi *Lebensraum*, and remained throughout the war years a supplement of the German war economy. Although in the decisive respects there was little difference among the countries from Austria to Bulgaria and from Poland to Yugoslavia, discrepancies in the level of their military and political development had significant effect on their economies and on the nature of their link with Germany. In this respect, the countries of the area fell into one of three categories. Austria, and the part of Czechoslovakia incorporated into the German Empire, fell into the first. The satellite countries, Hungary, Roumania and Bulgaria, fell into the second; and the countries which had been militarily subjugated — Poland and Yugoslavia — into the third.

The adaptation of the countries of the first group to the German war economy had a considerable number of common features. Both Austria and Czechoslovakia were annexed peacefully even before the outbreak of the war; both were considered organic parts of the Empire, though perhaps not quite equally so. Both were developed industrial economies, and therefore were not relegated to the role of raw material producers as were most of the countries of Southeastern Europe. German economic policy here was the complete and organic incorporation of these countries. Industry was to become but a part of the German war economy, not only in respect of its production and financial backing, but also in respect of its ownership.

The expropriation of Jewish property which took place after the *Anschluss*, the appropriation of national and public interests, the systematic influx of the large German concerns and the rapid expansion of their previous enterprises soon put a significant part of the Austrian economy into German hands. The Credit-Anstalt-Bankverein, which had incorporated also a number of smaller banks, came under the control of the Deutsche Bank; and the Länderbank under that of the Dresdner Bank. By the end of the war, 200 Austrian enterprises were under direct German control; thus, almost the entire oil industry, and a significant part of the electric, chemical, iron and metal industries as well.

In Czechoslovakia, the manner of appropriation was much more direct. Jewish properties worth close to 6 billion crowns were confiscated. Through a great variety of methods, leading Czech firms were compelled to sign so-called "Treuhanda-greements" through which they were "leased out" for an unspecified period of time to German concerns. The successes of the Göring concern are particularly striking. They even had control of eighty large Czech firms with a total of 150,000 workers. Göring's company had the Witkowitz Iron Works, the Skoda Works, the Poldona Foundry and other giant industrial concerns. The Tatra Car Factory came under the control of the Dresdner Bank, as did the Czech Discount Bank. The Mannesmann concern got hold of the Prague Railway Company, and of numerous industries in Ostrava. At least half of the industrial shares of the protectorate was

taken over by the Germans, including 90–100 per cent of coal mining, of the cement, paper and oil industries, and at least a quarter to a third of all the other branches of industry.

Once German control over the Austrian and Czech economy had been achieved, it was made into an organic part of the German war machinery.

Through strong German centralization and extensive government interference — complete control over financial resources, the placing of orders and the allocation of raw materials — the Austrian and Czech economies served only the Nazi war economy and developed along lines typical of war economies.

Immediately after 1938, Austria, which until then had been unable to stand on its own feet, experienced a spectacular war boom. There were 320,000 registered unemployed in 1937; within two years, 250,000 of them had found jobs. The building of huge industrial units was begun, partly in the hope of achieving an organic economic union with the German areas. It was this, along with strategic and military considerations, which led to the energetic development of Upper Austria's war industries. A large port was constructed in Linz, and three heavy industrial plants were located in town to take advantage of the improved transportation facilities: a coking plant, a steel plant, and a nitrogen factory. It gives some idea of the size of the Linz metal works to note that it was originally planned to produce 2 million tons of pig iron, and had a steel plant and a rolling mill attached. The plant that was built during the war years was but 50–70 per cent of the planned capacity; it produced 5 million tons of iron and 120,000 tons of steel. Linz was also the location of the chemical plant completed in 1942, capable of producing 60–70 thousand tons of plastic materials. In Ranshofen, a huge aluminium plant was built. It was planned to be able to produce 60,000 tons of aluminium — 10 per cent of the world's production at that time. By 1943, the factory was producing 40,000 tons of aluminium. With a number of other new establishments — among them the newly established oil industry — and with the development of the existing factories, there was rapid growth of the strategically significant branches of Austrian industry. The production of iron ore and of pig iron between 1937 and 1943 jumped by 67 and 149 per cent, respectively. Oil production rose from the 33,000 tons before the war to 1.2 million tons.

Although there are no comprehensive statistics, we can get a very good picture of the changes that the war years brought from an analysis of data collected from 1678 large plants. With the number of people employed in 1934 taken as 100, the source puts the number of those employed in March of 1945 at an average of 239. In the case of the iron, steel and machine industries, the latter number was 482; in that of mining, 234. In textiles, however, it was only 85; in the paper industry, 102; in the foods industry, 107.

Czech industrial development showed similar trends. Between 1939 and 1943, coal production increased by more than a third — 31 per cent for black coal, 43 per cent for brown coal; steel production was up by 11 per cent; electricity production by 44 per cent. It gives some indication of the expansion of war industries to note

that the number of people employed in the largest war industry, in metallurgy, jumped to two to three times what it had been before the war.

Along with the typically one-sided wartime concentration on raw material and heavy industrial production, there was also a gradual decline in the production of consumer goods. Even the deficient Austrian data give a clear picture of the trend: the paper industry, where production until 1941 somewhat exceeded the 1937 level, sank, after 1941, below what it had been before the war. The production of wool, however, had fallen to half of the prewar level already by 1941. The number of those employed in the textile industry in 1944 was only 40 per cent of that before the war; in the leather goods industry, but 80 per cent.

The production of even the most important foodstuffs also declined: 15 per cent in the case of the beer, 5 per cent in the sugar industry.

As a consequence of all this, the rise in the level of industrial production during the war was relatively moderate. Calculating with prices held constant, we find that the industry of the Czech-Moravian Protectorate produced at the peak of the war boom but 18 per cent more than before the war. Its agriculture also suffered considerable decline, with milk production falling to half of what it was, and all animal produce showing a general and significant downward trend.

Germany's Southeast European allies experienced the development of another kind of war economy. Hungary, Roumania, Bulgaria, and in part the puppet-state, Slovakia, created by the Germans in 1939, are examples of this type. The German attitude to the satellite states was expounded the spring of 1941 in a series of articles in the semi-official *Berliner Börsenzeitung*. This was, that the countries of Southeastern Europe "must adapt themselves to their natural conditions", and that "industrialization was incompatible with the agricultural character of these countries". "Concurrently with territorial revision, the countries of Southeastern Europe must also make economic adjustments to the demands of a continent-wide economic order. Their agricultural production will be directed to satisfy the needs of the other areas of the continent. Let their major produce be grain and oil-seeds, complemented by the growing of other industrial plants, in connection with which an agricultural industry may develop. The production of raw material will be supplemented by their local processing into semi-finished goods through the exploitation of local water power (oil, metals, light metals)."

The German plans for the industries of Southeastern Europe were threefold — as the Hungarian agent in Berlin outlined in his confidential report to the Hungarian Ministry for External Affairs. They wanted the agricultural industries to develop through "directed cooperation", that is, exclusively and totally to serve the needs of the German market. The other existing industries were to be transformed into German concerns. And finally, all means were to be used to prevent the development of any industry inconvenient to German aims.*

*Hungarian National Archives. Ministry of Foreign Affairs. Economic Policy Division. 1941. Res. 466.

Although consistent attempts to realize the first two points of the program — the maximal orientation of agriculture and raw material production to serve the interests of the German war economy — continued to the end of the war, these met with but partial success.

At first, the record production in Hungary in 1938, and the similarly outstanding one in Roumania in 1939 concealed the true state of affairs. During the first years of the war, there was still a significant increase in the volume of agricultural produce sent from all these countries to Germany, and it appeared as if the manpower deflected to industry and to the army would be compensated for by the massive imports of agricultural machinery from Germany. Within a few years, for example, many thousands of tractors, combines, and many tens of thousands of other agricultural machinery arrived in Roumania. This, however, was only partial replacement for the manpower lost, and did not raise the level of production. Even the desperately small quantity of artificial fertilizer used during the '30s was no longer available during the war, while the decline in the number of animals meant that there was less natural manure. The expanding of the area of land under cultivation was out of the question, and, in fact there was a slight shrinking in the area of cultivated land. Under these circumstances, except for one or two outstanding years, production was well below the prewar level. During the war, there was, in fact, a decline of 20–30 per cent in the average yearly agricultural production of the Southeastern European countries compared to the averages of the second half of the 1930s, a decline resulting mostly from that in grain production.

This unambiguously negative total picture was, in fact, brightened by increased production in a few special branches, principally in the production of oil seeds so much insisted on by Germans. But even here, increases both in the area of land under cultivation and in production took place more in the late '30s and during the first years of the war than in its later phases. In Bulgaria, where response to German demand was the strongest during the '30s, sunflower-seed production reached its peak in 1937; the yield in 1942–43 was but 50 per cent of this.

In Roumania, the area of land devoted to industrial and other plants grew from 7.4 per cent to 11.6 per cent between 1940 and 1943. There was considerable increase in the production of beans and peas, but that of oil seeds and industrial plants for the most part did not reach the 1939 level.

With the almost 25 per cent decrease in production, and with the great increase in domestic consumption, none of these countries could satisfy the demands made upon them by Germany. In Bulgaria and Roumania, the supply of livestock declined by 15–25 per cent between 1941 and 1944. Thus, the export of livestock to Germany had to be terminated during the second phase of the war, and the amount of animal and milk products exported fell far below the prewar levels.

The German policy of making its allies suppliers not only of food but also of raw materials was, in many respects, more successful. Hungary's bauxite and Roumania's oil were of most significance in this respect, but wood and non-ferrous metals from Roumania, and oil and manganese from Hungary were also essential

elements of the German war economy. The Germans, therefore, did everything within their power to increase production in these branches, frequently making considerable investments so as to have a greater productive capacity to serve their purposes.

During the war, Hungary's bauxite production approximately doubled (it was 1 million tons in 1943), 90 per cent of it (900,000 tons) going straight to Germany.

Hungarian manganese-ore production also roughly doubled; the amount exported to Germany here was 60 per cent.

As for petroleum and grain, the Germans' 1939 trade agreement with Roumania already guaranteed them plentiful supplies.

German firms established a series of companies with the aim of increasing the volume exported of these products. The oil contract of the spring of 1940 stipulated that Roumanian oil had to be sold at prewar prices. The December 4, 1940 contracts guaranteed the increased export of agricultural and forestry products. In 1940–41, more than 60 per cent of the oil produced in Roumania went to Germany, and the Germans demanded yet additional increases in production. Between 1940 and August of 1944, 10.3 million tons of oil were exported to Germany, while the amount of petroleum consumed by the German Army in Roumania was estimated to be around 1 million tons.

Roumanian agriculture was so far exploited — 1.4 million tons of grain were sent to Germany between 1940 and 1944 — that, like in Hungary, bread was rationed, and at times, unavailable.

Some agreements actually stipulated that the Roumanian population was to receive only the food that remained after German needs had been satisfied.

After the attack on the Soviet Union, the German war machine had need even of the relatively modest industrial capacity of its satellites. In 1941, Hungary contracted to establish new war industries, and to place 70 per cent of their capacity at Germany's disposal. Some sources put at 60 per cent the amount produced to German order by Hungary's rapidly expanding war industries. From 1941 on, the German Army placed more and more orders in Hungary. Particularly large-scale was the airplane manufacture going on within the framework of the Messerschmitt program. Six hundred fighter planes, 100 all-purpose planes, and 1,000 airplane engines were mass produced in Hungary starting at the end of 1943. German investments developed Hungary's aluminium oxide and aluminium industries. The two largest plants established during the war years, the Danube Airplane Factory and the Danube Valley Aluminium Plant, were built with German cooperation.

The industrial capacities of the other satellite countries were more modest, and played a modest role in German plans. The development of the war economy in these countries was, thus, sharply one-sided, and, with the decline of consumer industries, industrial production as a whole was but 38 per cent above the prewar level in Hungary and 18 per cent in Bulgaria, and this in the peak year of 1943.

Concurrently with this one-sided, moderate war boom, the satellite countries were beginning increasingly to experience the dire economic consequences of the

unconcealed despoilation wrought by subordination to the German war machinery. For they were shipping more and more of the ever growing volume of food, raw materials and industrial goods to Germany without any recompense. In fact, the Germans were making no particular effort to conceal — as they had the clearing liabilities of the '30s — the debts they accumulated during the war years. From their new position, they openly declared their new policy, exemplified by a statement by Litter, a senior civil servant in the German Ministry of Finance, regarding Hungary: "The mass of the goods shipped by Hungary must, in fact, be considered contributions to the common war effort, contributions whose value will be booked."*

The value of these unpaid goods, especially after 1941, grew by leaps and bounds. For instance, Germany's debt to Hungary in 1941 was only 140 million marks. By 1942, it was 50 million; by 1943, 1 billion marks, while by 1944, an additional 1.5 billion marks worth of debts — including the cost of the German occupation — had been accumulated.

Germany's debts to Bulgaria show a similar trend. In 1941, Germany owed Bulgaria 210 million marks; in 1942, 380 million, while by the end of 1943, her debt was 680 million. The provisioning of the German troops stationed in Bulgaria throughout the entire war cost another 250 million marks. Germany's debt to Slovakia between 1939 and 1944 — including the value of railway transport, and the cost of provisioning the German troops — rose to 1 billion marks.

It is an indication of the magnitude of Germany's debts that the amount owed Hungary — which, as we have seen, was proportionate to amounts owed the other satellites — accounted for one quarter of Hungary's entire war expenditure, and was a burden which greatly contributed to the development of an inflation economy. For the unpaid German orders had to be paid for by the governments of the producing countries, and for this they had no other means but the issuing of great quantities of unbacked paper currency. In Hungary, it was precisely the German debts which necessitated the issuing of 40 per cent of the unbacked money. A decisive factor in the wartime inflation suffered by the satellite countries was, thus, their uninhibited exploitation by Germany.

How far these countries were integrated into the German war economy is indicated by the fact that Hungary's, Roumania's and Bulgaria's trade during the war years was practically exclusively — 75–80 per cent — with Germany.

It is almost impossible to give a comprehensive picture of the wartime economic conditions of Poland and Yugoslavia — the countries which comprised the third group — for the simple reason that there was no unified economy in either Poland or Yugoslavia during the years of occupation.

Immediately after occupying the Polish and Yugoslav areas, the German troops aimed at the total destruction and annihilation of their economies. For example, in

*Hungarian National Archives. Ministry of Foreign Affairs. Economic Policy Division. Material from the Hungarian-German economic discussions of 1942.

October of 1939, Göring instructed the military authorities in Poland to dismantle every factory of some importance, to transport every machine and, as far as possible, every power-station and line of communication, since an independent Polish economy was superfluous. They even made plans to tear up telephone and telegraph cables, and, except for a few one-track railways, all railway lines as well.

A little later, however, the Nazi program changed. Although they continued to regard the occupied country as booty, and did not want it to have an independent economy, instead of liquidating the existing economic sources they decided to exploit them to the utmost for the benefit of the German Empire. Accordingly, they extended Göring's four-year war-preparations plan to include also the occupied Polish territories. Hans Frank, the Nazi governor, published as goals the increasing of agricultural production and the maximal exploitation of the country's mineral wealth, all of which was to be sent to Germany.

Thus, in order to better process the strategic raw materials, there were even considerable investments made in some areas, particularly in Polish coal mining, in Croatian oil production, and in Yugoslav non-ferrous metal mining, particularly around Bor.

However, it was not so much from increased production that German needs were supplied in most areas, but through the reduction of the population's consumption to a bare subsistence level, and through the stoppage of plants not directly serving the German war effort. It is a picture of uninhibited plundering that the data for the yearly grain export required of Poland give us: in 1940, 370,000 tons of grain were collected and sent to Germany; in 1941, 700,000 tons; in 1942, 1.2 million tons; and by 1943, 1.5 million tons. Data for the export of meat, lard, potatoes and other foods show similar increases.

We have no precise and comprehensive data on the export of raw materials and manufactured goods, but there is every indication that the situation here, too, was one of unbridled robbery. Polish mines and industries concentrated only on the production and processing of raw materials. Between 1938 and 1943, coal production rose from 38 million tons to 57 million tons. Except for a few other raw materials, however, it was not a rise in production which characterized the Polish economy, but rather the dismantling and shipping out of plants, and the consequent recession. Many industries produced but 20–30 per cent of their prewar level, and, according to some calculations, Polish mining and industry as a whole produced, at best, 60 per cent of what they had before the war.

The German policy of plunder and subjugation was not, however, content to leave it at that. Not only was food taken from the mouths of the hungry population, and the country stripped of its raw materials: masses of Polish and Yugoslavian workers were driven to do forced labour in the war industries of the Reich. By the summer of 1944, 2.8 million Poles had been taken to Germany to do forced labour. Only a small minority of them were prisoners of war; most of them were civil deportees.

Had the Nazis had time to realize their long-term plans, they would have had a total of 4 million Polish forced labourers working in the Reich's war economy.

The wartime economies of these subjugated, dismembered and plundered countries showed a picture of utter devastation.

In Yugoslavia, where constant partisan wars compounded the effect of dismemberment to make an organized war economy practically impossible, the Germans were most interested in the export of food and raw materials. Some sources estimate the amount of food taken away during the four years of occupation to be as many as 10 million tons. Of raw materials, they took primarily the wood of the Croat areas (some sources say they cut down 40 per cent of the woodland), and took steps to make the newly discovered oil-fields more productive. In the occupied Serb areas, they were, of course, most anxious to increase the production of non-ferrous metals, to which end they even made some investments.

All this — the economic exploitation, the unconcealed plundering and subjection, and the mass deportations — was carried through with unprecedented brutality. The Nazi secret police and military government set up a reign of terror aimed at establishing the unqualified supremacy of the German *Herrenvolk* through the most ruthless of means. "Aryan-type" children were selected and taken to Germany as the first step to the systematic "Germanization" of some regions. At the same time, the German minorities of the satellite countries flocked to join *Volksdeutsch* organizations, which became the recruiting grounds of the SS, and the vanguard of a future Nazi conquest. To establish the "new European order", the Nazi *Einsatzgruppe* began the systematic extermination of the Jews living in the conquered territories, and demanded that the satellite governments adopt similar measures. More than 3 million Polish Jews fell victim to the unprecedented ruthlessness of the systematic mass murder carried on at the death-factories. In Hungary, close to half a million people were murdered, in Roumania, about 300,000. The great majority of the Jewish population of the Central and Eastern European countries — about four million men, women, and children — were killed.

There was a veritable manhunt for all Communists, all democrats, all anti-Fascists and all anti-Germans, and mass extermination became a rule. In flagrant violation of international law, the taking of hostages was instituted. In retaliation for an attempt on the life of a German soldier, they would execute as many as 50–100 hostages. The entire population of the Czechoslovak community of Lidice was murdered or dragged away to prison camps and the village was destroyed in retaliation for the attempt made on Heydrich's life. In Yugoslavia, 1 million civilians fell victim to the mass terror.

The terror and lawlessness, the cynical Nazi expansion in the occupied and satellite countries very soon led to the development of energetic resistance. Self-defense against the coercive war measures, passive resistance on the part of most of the population, refusal to do forced labour, and the sabotage of compulsory deliveries were all commonly practised, as were the most varied forms of active resistance. Aiding the hunted, sabotage, impeding the production and delivery of

war products, and armed action signified the peoples' heroic resistance. At some points and in some countries, widespread armed revolts erupted.

In Yugoslavia, resistance grew into veritable partisan warfare. Partisan activity was started practically on the morrow of the German occupation by the remnants of the Yugoslav Army collected by Colonel Mihajlović. After July, 1941, when the Communists proclaimed and organized the nation's resistance, it acquired also a class content. The Nazis, in ruthless retaliation, executed 20,000 people and murdered 10,000 partisans by February of 1942. But their terror was fruitless, and, in fact, counterproductive. The name of the partisans' initially unknown leader, Josip Broz Tito, became the symbol of resistance the world over, and, from the second half of 1942, there was a formal war going on against the German army of occupation. By the end of 1943, 300,000 combatants organized into 26 divisions, 10 independent brigades and 108 partisan units engaged more than a million and a half Nazi soldiers and their allies. And in the summer of 1944, in spite of their phenomenal losses — 300,000 dead and 400,000 injured — the partisan army of 400,000 men played a decisive role in the liberation of Yugoslavia.

In Poland, the partisans attacked 1,300 German transports, and destroyed or incapacitated 7,000 engines and 20,000 railway cars between 1941 and 1944. Until 1943, however, the partisans could not gain control of larger, adjoining areas. It was mostly side by side with the Allies that the various Polish units fought on the various fronts. The heroic insurrection of the Warsaw ghetto in 1943, and the Warsaw insurrection of August 1944, when 200,000 people died tragic and valiant deaths, were among the supreme moments of Polish resistance.

Wide-spread sabotage, the Slovak insurrection of the summer of 1944 in which 100,000 partisans took part, and the Prague revolution of the end of the war testified to the heroism of the Czechoslovak resistance.

The enthusiasm with which the satellite governments had cooperated with the Nazis had also cooled in the course of the war, especially after Stalingrad. The Roumanian Army had been one of the targets of the Soviets' Stalingrad offensive. The 4th Roumanian Army suffered terrible losses. More than 100,000 soldiers had died, were wounded or became prisoners of war. The 2nd Hungarian Army, after a few weeks, came to almost the same end. The new Soviet attack at Voronezh crashed the lines on the 12th of January. The Soviet tanks, the snow and the frost caused the deaths of thousands upon thousands. Although no exact numbers for the casualties are available, not more than half the army can have survived. Almost 30,000 lost their lives in battle; about 10,000 froze to death during the retreat, and 50–60,000 men, many of them wounded, fell prisoner to the Russians.

The loss of their armies was a catastrophe for both Hungary and Roumania, who had wanted eventually to use them against each other. After Stalingrad, the quarrels and the race for Germany's favour was slowly pushed into the background by a new race: the race to make contact through peace-feelers with the Western Allies, and to seek ways to escape Soviet occupation, and the consequent radical social change.

The Hungarian government was shrewd enough in September of 1943 to conclude a preliminary agreement stipulating that in case it was Anglo-American troops that reached the Hungarian frontier, Hungary would make a volte-face. But due to the slow advance of the Anglo-American troops in Italy, and the enormous achievements of the Red Army, the military situation changed. The Hungarians and Roumanians clung to their previous conceptions, and even the Hungarians — who had prepared for this in 1943 — failed to decide on a volte-face. From September onward, Hitler carefully watched what was going on in his empire. Afraid of an Italian-style volte-face, he prepared for the occupation of Hungary, even considering getting help from Roumanian troops. Antonescu was certainly willing to contribute his men, but he set North Transylvania as the price. Hitler, afraid of strengthening the Hungarian resistance, refused to pay it. The country was occupied by the Germans on March 19, 1944, with no resistance offered.

The Gestapo came into the country with the German troops, and, with the help of the Arrow-Cross Party and other agents of the extreme right, began at once to arrest the supporters of the left. They not only persecuted the Communists, but also arrested most of the leaders of the Smallholders' and the Social Democratic Parties. The leaders of the pro-British groups of the ruling classes suffered a similar fate. Members of parliament, members of the Upper House, journalists and leading businessmen of Jewish descent were arrested.

Horthy, who arrived home from his audience with Hitler a few hours after the entry of the German divisions, appointed the former Berlin envoy, Döme Sztójay, as successor to Prime Minister Kállay; an official statement issued a few days after the country's occupation attempted to give it a legal basis by claiming that "the German troops had been requested by the Hungarian Government" to enter the country.

Döme Sztójay, a one-time army officer of limited ability and narrow views, had been Hungarian minister to Nazi Germany for nearly a decade, and represented the interests of the German government in Hungary far better than he had the interests of the Hungarian government in Germany. His person and his government, which consisted of extreme right-wing and Fascist elements, were an adequate assurance that he would serve the new German envoy, the "Führer's authorized representative with full powers", Edmund Veessenmayer, to the end.

The new government spread Fascism throughout the political life of the whole country. It restricted the activities of the press by banning hundreds of weekly and daily papers and by allowing the publication only of explicit Fascist and German-financed papers. It ensured the absolute rule of the right-wing elements in the municipal administration of the capital and in the countryside by a radical replacement of personnel. It organized the deportation of 450,000 people, the entire Jewish population of the Hungarian provinces, most of whom were sent to Auschwitz. About 75–80 per cent of the deportees perished in gas chambers or under the inhuman conditions of the various concentration camps. The news of the mass-murder of Jews spread abroad, and caused tremendous international indignation. The Hungarian government was warned that not only the Germans, but the Hungarian authorities,

too, were responsible for the deportations, and would answer for their crimes after the war. This induced Horthy, who had given the government a free hand until June, to call a halt to further deportations; but except for the capital, they had already been completed all over the country.

Hungary's contacts with the West were severed with the occupation of the country; Roumania's, however, grew more and more frequent. In Cairo, Roumanian agents led negotiations with the representatives of the anti-Fascist coalition, and domestic forces, too, began to prepare for a volte-face.

When, therefore, the Soviet troops began their attack on Roumania on August 23, 1944, the king had Antonescu arrested, and the nation rose in arms. All this contributed not only to Roumania's speedy liberation, but also to the war-effort against the Germans. The Roumanian upheaval altered the entire political and military scene in southeastern Europe. Bulgaria, which had not fought against the Soviet Union, also started preparing for an armistice.

A new, pro-Allied government was appointed, but it, too, hesitated in making a complete volte-face. By that time, the Soviet troops had reached the Bulgarian frontier, and, seeing the general tenor of Bulgarian politics and the German bases on Bulgarian territory, declared war. On September 9, the Bulgarian nation rose; the people were victorious, and the country joined the anti-Fascist camp.

No such turning point came in Hungary. Horthy's last-ditch attempt to get rid of the Germans and — finally — to come to an agreement with the advancing Red Army, failed. The Germans arrested him on October 16, and a new puppet government was set up. Szálasi, the leader of the Arrow Cross Party, became the Prime Minister. Actual power was in the hands of the Germans; and the liberal, Socialist, and anti-Fascist forces were not strong enough to contribute significantly to the nation's liberation.

In most countries of the area, however, the resistance had no small part in the anti-German struggle. Although the motives, political goals and social backgrounds of those in resistance were heterogeneous, and the movement pooled the most varied national and democratic forces, in most East Central European countries the Communists played a major, often leading role. This was true principally of the Yugoslav partisan war, but was true also of a faction of the very divided Polish resistance, and of the leadership of the Slovakian insurrection. The Communist parties had considerable influence even in the Roumanian, Bulgarian and Hungarian resistance movements.

Thus, the wartime struggles contributed also to the postwar political transformations. However, the peoples of East Central Europe still had many trials to endure until political stability was achieved. Liberation from Nazi rule, and from the governments of the satellite régimes — for all the significant contribution of the domestic forces in some countries — was primarily achieved through the devoted struggles of the Allied forces, and especially of the Soviet Army which had turned the tide of the war at the beginning of 1943 at Stalingrad.

In June of 1944 — after a year and a half of its extraordinarily powerful offensives had inflicted great losses on the German invaders, and had driven them out of vast areas of the Soviet Union — the Soviet Army started its summer

offensive. One hundred and sixty-six divisions, 300,000 tons of supplies and half a million tons of food had been amassed; and, within five days, four Soviet fronts broke through the German lines in six places. By the end of July, 28 German divisions had been annihilated, and 350,000 men killed. This Soviet break-through marked the beginning of the liberation of the countries of East Central Europe. Marshall Rakossovskij's First Belorussian Front troops reached the Polish border on July 18, 1944, and a few days later, the first Polish town, Lublin, was liberated. The offensive was then augmented with Marshall Konyev's troops, who broke through the German lines around Lvov. The Soviet troops reached the Vistula at a number of points, and it was only in August that the Germans managed to halt this unprecedentedly successful offensive.

The Eastern Front had been pushed 600 kilometers to the west through this summer offensive, and the area of Poland between the Bug and the Vistula had been liberated. Poland's western part, however, remained under German occupation up to February of 1945.

In August of 1944, the offensive was halted on the central Soviet front, and all forces were concentrated on the liberation of Southeastern Europe.

By the time the Allied forces landed in Normandy, and the German defences collapsed in August, the Soviet troops were already drawn up to attack the Germans in Southeast Europe, thus to detach Germany's satellites. Colonel-General Malinovskij's Second Ukrainian Front, and General Tolbuchin's Third Ukrainian Front started their massive offensive along the Prut on August 20 against the million strong joint German and Roumanian "South-Ukraine Army". By August 23, the German-Roumanian defence line collapsed, and the road to Bucharest lay open. After Antonescu's arrest and following the victory of the national insurrection, the new Roumanian government declared war on Germany on August 25. The Soviet troops raced through Roumania in two weeks. The Third Ukrainian Front turned toward Bulgaria, and reached its border on September 3. It was only then that the Russian government made its declaration of war, and, on September 8, the Soviet troops crossed the Bulgarian border. There were hardly any German troops in Bulgaria, and the Soviet front advanced toward Sofia practically unresisted. On September 9, the anti-Fascist revolution was victorious, and on September 15, it was a liberated Sofia which greeted the units of the Soviet Army which marched through. Tolbuchin's troops then turned west. In the meanwhile, Malinovskij's Second Ukrainian Front had pressed into Transylvania, had also turned west south of the Carpathians, and made contact with Tito's partisan army. On September 21, a Yugoslav-Soviet agreement was signed in Moscow, on the basis of which the Soviet troops then moved into Yugoslavia. Tolbuchin's troops cut the German Army stationed in Serbia in half, and together with Yugoslav partisan units, liberated Belgrade on October 15. They then turned toward Hungary, whose liberation Malinovskij's troops, coming from Transylvania, had already started in September. At that point, Hungary became the focus of military operations. It took half a year of extraordinarily hard fighting to break the German troops — who saw the holding

of this area as a means of defending Germany itself — and their Hungarian allies. Horthy's unprepared attempt to withdraw from the war, announced on October 15, was frustrated by the Germans and their Hungarian Arrow-Cross supporters. Szálasi took over the reins of power, forcing the country to endure a bloody Fascist dictatorship and a mindless fight to the finish. The 100,000 strong German and Arrow-Cross Army encircled in Budapest at Christmas resisted for six weeks, reducing the city to ruins. It was only after months of heavy battles in Transdanubia at the beginning of 1945 that the last Nazi troops were finally driven out of Hungary on April 4.

Military operations in East Central Europe came to an end practically at the time of the end of the Second World War in Western Europe. It was then that Tito's units liberated Zagreb, and the parts of Croatia under German, or rather ustashi rule. It was then that the Czech operations came to an end with the liberation of the Prague basin; Vienna fell on the 13th of April to the Red Army.

The peoples of East Central Europe had, thus, suffered especially much during the years of the Second World War, and the countries of the area had undergone extraordinary devastation.

Poland, Yugoslavia and Hungary had been the most seriously afflicted. The former two, through the events of the entire war already discussed; Hungary, principally through that half year of heavy frontal fighting, and partly through bombing.

Yugoslavia lost more than 10 per cent of its 1941 population — 1.7 million people. An indication of the destruction suffered by the national economy was the annihilation of half of Yugoslavia's railway network, more than 6,000 kilometers of track. Half of the engines the country had in 1940, and more than half of its railway cars and wagons were destroyed, as was half of its repairs capacity. Almost all motor vehicles, and 40 per cent even of the peasant carts; half the ocean liners; two thirds of the river and coastal transport and 45 per cent of the telephone and telegraph cable system were annihilated, making Yugoslavia a scene of unparalleled losses in the sphere of transport and communications. Along with the destruction of the infrastructure, a sixth of the country's buildings were annihilated or seriously injured. The war brought losses of similar magnitude to agriculture as well. Between forty and fifty per cent of the agricultural machinery, 60 per cent of the stock of horses, 53 per cent of the cattle, and half of the sheep, goats and chickens were destroyed.

With the disassembling of the machinery, and the devastation of factories and supplies, industrial production, too, suffered serious decline. The destruction of the vitally important equipment of the two steel plants in Slovenia and Bosnia meant that the steel industry was completely paralyzed; while the textile industry, which had made the greatest gains during the interwar years, lost 40 per cent of its cotton processing capacity, and 20 per cent of its wool-working machinery — spindles and looms. Iron ore production fell to 30 per cent of what it had been before the war, and, while there were differences among the various branches, industrial production as a whole fell to 30–35 per cent of the 1939 level.

Poland's losses were of like severity. Forty per cent of the railway lines, 70 per cent of the railway buildings and equipment, and 70 per cent of the larger railway bridges were annihilated. Of the postal and telegraph lines, 64 per cent was destroyed. Eighty-five per cent of the buildings in Warsaw fell victim to the war; almost the entire Polish capital was destroyed. Fifteen per cent of the agricultural buildings suffered a similar fate. The most acute loss to agriculture was the destruction of 60 per cent of the stock of beef, 75 per cent of the horses, and 80 per cent of the stock of pigs. Of the forest areas, 25 per cent was lost to ruthless German plundering.

Industry also suffered particularly heavy losses. Some sources estimate industrial loss between 1939 and 1945 to have been as high as 11.5 billion dollars, more than a tenth of the total national assets.

Like those of Poland and Yugoslavia, Hungary's losses were also the heaviest in the sphere of transportation. Forty per cent of the railway network, and half of the engines were destroyed, while another quarter were injured and lay useless. Of the nearly 70,000 railway cars, 49,000 were taken by the retreating German and Hungarian troops, and half of what remained was destroyed. The entire river-boat fleet was also lost. Particularly acute was the loss of the river bridges, of which all the large ones, and 36 per cent (on the basis of length) of the smaller ones had been blown up. Half of the nation's investments in communications had been destroyed.

In agriculture, here, too, it was the loss of livestock — 44 per cent of the cattle, 56 per cent of the horses, 79 per cent of the pigs and 80 per cent of the sheep — which was the most serious.

Industry, too, suffered heavy losses: 50 per cent of the buildings and equipment, a third of the engines and 75 per cent of the machinery were lost. Industrial production after the war — with the scarcity also of materials and stocks — fell to 25–30 per cent of the prewar level.

In Budapest, 4 per cent of the buildings were annihilated, and a further 23 per cent seriously injured, losses which put additional burdens on the national economy.

Although Austria's losses were relatively on a smaller scale than those of the countries mentioned above, their total effect was still very serious. Economic losses due to bombings, and especially to the battles raging in the country's eastern section were estimated at around 38 billion schillings. Much of this was the losses in housing (37,000 homes were totally destroyed in Vienna alone), and in the transport system. But industry, too, reported a loss of 46,000 machines, while the building industry alone lost 40 per cent of its prewar capacity.

The immediate war losses were smaller in Czechoslovakia (especially in the Czech areas), and even less in Roumania and Bulgaria. Besides the bombing of the oil fields, Roumania's greatest losses were in the transportation system and in its livestock, and the situation was much the same in Bulgaria.

Many of the countries of East Central Europe thus suffered extraordinarily severe losses during the war. Losses in Yugoslavia, Poland and Hungary — and Austria's

situation was quite similar — amounted to between two and four times the entire national revenue of their last prewar year. These enormous losses — even allowing for all the discrepancies and inaccuracies in the available estimates — meant the destruction of about a third of the national wealth of these countries. Although the other group or countries suffered more modest losses — in Czechoslovakia, losses amounted to about a year's national revenue, while in Roumania and Bulgaria but a third of a year's — the exhaustion of the economy, of the stockpiles, of the means of production, and the very physical exhaustion of the population all made the postwar economic situation in all these countries critical.

While the victory of the Allied Powers and the total defeat of Hitler's Germany in the Second World War left the countries of East Central Europe in an extraordinarily difficult economic position, it had also liberated them of the oppressive expansion of the German Reich, and in most cases, of the conservative or Fascist régimes and Quisling governments which had laid them open to Hitler's exploitation. All this — with the help of the armistice, and then peace agreements — cleared the way for the rise of new social forces, and opened up radically new possibilities also for the economies of the countries of the area.