BLACK BOOKS

BY STEVEN CARLSON

KEN SIEGEL

From the late 1970s until the Romanian revolution in December 1989, János Arany drove from Budapest to Romania every two weeks with books for his friends and acquaintances. Arany is a "Transylvania freak," part of a loose network that helps Hungarian intellectuals in Romania stay in contact with the outside world.

Today Arany continues smuggling books, though not as often. Restrictions on the flow of information have supposedly been lifted, but Hungarians bringing books into Romania still encounter problems with border guards. ("János Arany," by the way, is a pseudonym.)

András Schumiczky of the Hungarian Maltese Cross, which organizes transportation of most of the aid to Romania, reports that "officially one can take anything." But he says there have been "disturbances": Some of the trucks have been sent back from the border because of unexpected paperwork, and delays can vary from minutes to hours to days. (Even before the revolution, the scrutiny of the border guards differed from county to county, depending on the attitudes of local officials.)

János Arakovács, founder and director of the Hungarian Press of Transylvania, believes that regardless of what the government says, the Romanian border policy hasn't changed since the revolution. And like many Hungarians (and Romanians), he objects to the use of the term *revolution*. "The leadership has changed, but the structures have remained intact," says Arakovács, who emigrated from Romania in 1983.

The book smugglers have been active ever since the late '70s, when the Ceausescu regime tightened its control of information. The government was especially suspicious of the ethnically mixed population in Romanian Transylvania, just across the southeastern border of Hungary. Officials put Hungarian histories, maps, and travel guides at the top of the list of banned materials, along with Bibles and religious works. Hungarians traveling into Romania even had to surrender newspapers and magazines.

In the 1980s, the Hungarian National Library began donating books to the smugglers and giving Romanian travelers certificates to use for purchases from Hungarian book stores. An employee of the library, Arany is part of an army of smugglers that developed from contacts between churches, relatives, friends, and professional colleagues on both sides of the border.

"We played a continuous game with the Romanian border guards," Arany says. "As they found our favorite hiding places, we had to find new ones." The guards sent the smugglers they caught back to Hungary with stamps in their passports forbidding entry to Romania. Ferenc Zöld, director of the State Book Publishers' Association, smiles sheepishly as he recalls that he earned the distinction of being banned from Romania back in 1979.

After Ceausescu was overthrown, many of the cars that drove across the border from Hungary were carrying books as well as food, clothing, and medical supplies. Zöld, one of many Hungarians with relatives in Transylvania, helped organize a collection of books. The member publishing houses of his association donated materials valued at more than 65 million forints (about $1 million).

"We asked ourselves, what do they need the most?" says Péter Zászkaliczky, pastor of the Deák Square evangelical church in Budapest. The church managed to send some 200,000 Hungarian-language volumes, including literary, religious, popular, educational, and children's books. As I write, the church expects to send four more trucks across the border in the coming months.

"The work our church did after the revolution was really insignificant," Zászkaliczky insists. "Many Hungarians participated privately in such actions, and together it amounted to a monumental effort."

And yet Arakovács notes that the letter of the law hasn't changed. A month after the December revolution, he was with M.G. Tamás, a philosopher who emigrated from Romania in 1978 and was elected to the Hungarian Parliament as a Free Democrat last spring. The two were visiting Tamás's original home in Kolozsvar (Cluj). Tamás tried to take 10 books back across the border with him, "but the letter of the law is five, and he only was able to take five copies," Arakovács says with a smile.

When Tamás lived in Romania, a regular supply of literature was vital to him. He started receiving volumes from Hungary in the 1960s. The smugglers often sold books at fantastic prices, and he occasionally had to part with family heirlooms to get the best volumes. Still, he says, "the fact that I got books and periodicals from Hungary kept me alive—my life turned around that."

Today Tamás "argues fluently in five languages," according to a recent article in the *Hungarian Observer*. "A backward society has many advantages," he jokes. "No amusements, movies, pop culture, travel—so what do you do? You sit at home and read classical literature."

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Tamás says private initiatives to send Hungarian-language books abroad are just as necessary as before because of rising nationalistic feeling in border countries with Hungarian minorities. On a recent trip to Bratislava, a formerly Hungarian city now in Czechoslovakia, he saw that newspaper vendors were no longer selling Hungarian publications. He asked a vendor if the Communist government had ever banned sales of Hungarian newspapers. No, the vendor said. Tamás asked if news dealers are permitted to sell Hungarian newspapers now. Yes, the vendor replied, but now we don't dare.

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PLANNING FOR CAPITALISM

BY MELANIE S. TAMMEN

Central planning brought ruin to Eastern Europe, a $450-billion foreign-debt burden to Latin America, and even greater poverty to sub-Saharan Africa, where per capita incomes are lower today than they were in 1970. Yet the United States continues to support the institutions that counsel and finance still more central planning—the World Bank, the related regional development banks, and the International Monetary Fund.

Now Washington is poised to sidetrack Eastern Europe's opportunity for a true free market by joining the World Bank and related organizations in promoting a variety of rear-guard socialist planning efforts.

In Eastern Europe, the World Bank and the IMF are extending unprecedented levels of loans to governments. Since February 1990, the IMF has committed about $2 billion to Poland, Yugoslavia, and Hungary. The World Bank plans to lend $7 billion to $8 billion in the region over three years. Furthermore, the Bush administration has pledged $1.2 billion in U.S. funds to support a new multilateral bank for Eastern Europe.

And in 1989, Congress approved the $938-million Support for East European Democracy Act, which provides $300 million for "private enterprise" loans in Poland and Hungary. Government-appointed boards of directors will dole out $240 million in Poland and $60 million in Hungary. As former Assistant Treasury Secretary Paul Craig Roberts told a congressional panel in 1990, "Contracts and financing will be awarded based on political connections....The economic process will be taken over by 'rent-seekers' competing for a share of the largess. Real private enterprise will languish as entrepreneurial skills are directed into the political arena."

In May, the Bush administration formally pledged U.S. participation in the European Bank for Reconstruction and Development. (Congress has yet to authorize support for the project.) Designed to lend to governments in Eastern Europe and the Soviet Union, this new multilateral bank will have $12 billion in initial capital.

World Bank President Barber Conable: still keen on government-directed business loans.

During international negotiations over the creation of the European Bank in early 1990, U.S. Treasury officials portrayed the institution as a new-and-improved development bank. They suggested that the bank will play an important role in Eastern Europe's privatization efforts. Yet multilateral development banks have never linked significant amounts of assistance to privatization of bloated, money-losing state enterprises. The World Bank's emphasis remains rehabilitation, not privatization. Despite its market-oriented rhetoric, it continues to tinker with socialism and central planning.

Advocates of the European Bank emphasize that many of its loans will go directly to firms that are already private. But the World Bank provides the principal model for channeling multilateral bank money to private borrowers. Its "directed-credit" system funnels money through "development finance institutions," generally state-run banks.

The World Bank lends DFIs hundreds of millions of dollars, which they in turn are supposed to lend to small and medium-sized private enterprises. Government bureaucrats run most World Bank–supported DFIs, allocating credit by "picking winners"—or, in reality, picking anyone. Since the mid-1970s, the World Bank has lent some $30 billion to DFIs throughout the developing world.

In 1985, an internal World Bank review looked at a sample of these banks and found that many borrowers had failed to repay their loans. In almost half of the cases, more than 25 percent of loans were delinquent; at nearly one-quarter of the DFIs, more than 50 percent of loans were delinquent. "Many governments used credits from DFIs for low interest rate lending to public and quasi-public institutions," the report said. "On loans made at the behest of government, financial discipline was often poor, and for political reasons the DFIs were not able to foreclose on delinquent loans." The review concluded that "few DFIs have become financially viable, autonomous institutions capable of mobilizing resources from commercial markets at home and abroad."

But the World Bank continued to extend about $2 billion in new loans to DFIs each year. In 1989, the bank's annual *World Development Report* issued another damning verdict. Among a sample of 18 DFIs, 50 percent of loans, on average, were overdue. "It is clear [directed-credit programs] have damaged financial systems," the report concluded, noting that cheap DFI loans had encouraged unproductive investments, promoted both unintentional and willful defaults, impeded development of capital

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