



‘The Expropriation of the Expropriators’: Soviet-Type Nationalization as Social Engineering in Selected East-Central European States¹

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Abstract. Nationalization is a legal phenomenon that, while having earlier parallels, emerged under this designation in the 20th century. Its practice reached a peak in the aftermath of the Second World War, when almost every European state implemented some form of it. In Western countries, nationalization generally remained an exceptional legal measure, while in Soviet-type dictatorships it became a central instrument for transforming societies previously grounded in private ownership. These nationalization campaigns represented one of the most radical legal experiments of the modern era. This study seeks to clarify the concept of nationalization in both its historical and contemporary meanings, tracing its origins and evolution as a legal category. It examines the first nationalizations in the Soviet Union, which served as a model for satellite states within its sphere of influence. While the constitutional provisions on nationalization in other Eastern Bloc states are considered in comparative perspective, the analysis concentrates in detail on the process of nationalization in three East-Central European countries: Hungary, the German Democratic Republic, and Romania.

Keywords: nationalization, East-Central Europe, Eastern Bloc, Soviet-type dictatorship, people’s democracy

1. Introduction

In Central and Eastern Europe, privatization and reprivatization can be understood as two of the legal instruments utilized in the dismantling of Soviet-type

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dictatorships.² Their historical counterpart – nationalization – must therefore be viewed as a necessary and deliberate step in the construction of these totalitarian regimes. The causal relationship between the two phenomena suggests that a comprehensive understanding of privatization and reprivatization is not possible without a thorough examination of the nationalization processes that preceded them. Nationalization, in this context, emerges as a quintessential tool of social engineering. This perspective aligns with one of the most influential theories in sociological jurisprudence, formulated in 1912 by American legal scholar Roscoe Pound (1870–1964), who argued that law can be perceived as an instrument of social engineering.³ According to this view, legislators act as social engineers, identifying societal problems and seeking to address them through legal mechanisms, with legislation serving as the instrument of social change. This role of the legislator is even more pronounced in Soviet-type dictatorships, where one of the most distinctive features of law was its strong focus on achieving social goals – such as nationalization in the name of the greater public interest – rather than balancing these with the private rights of ordinary citizens, like property and enterprise, as most modern legal systems do.⁴

Due to the limitations of scope, this study focuses on the processes of nationalization in three East-Central European states – Hungary, the German Democratic Republic (GDR), and Romania. The constitutional provisions concerning nationalization in most other Eastern Bloc countries are comparatively assessed in a separate subchapter. To provide a broader context, the country-based analysis is preceded by: (1) a redefinition of nationalization as a legal phenomenon, giving it a broader scope than is usually employed in contemporary legal-historical studies, and (2) an examination of the nationalization process in the Soviet Union, which is indispensable for understanding the subsequent developments in East-Central Europe.

2. The Initial Concept and Later Definitions of Nationalization

Before examining the process of nationalization in detail, it is essential to clarify the term from both legal and non-legal perspectives, since its historical usage – particularly during the period of its practical application – does not fully correspond to its present interpretation. Although nationalization cannot be regarded as a purely legal process, it was most often mandated through traditional legal instruments, even if carried out with the use of (often abusive) extra-legal

2 Veress, 2022, p. 260.

3 Pound, 1912, pp. 489–516.

4 Gorlizki, 2018, p. 1096.

measures. For this reason, despite its complex nature, a legal definition of nationalization remains both possible and necessary for the purposes of this study.

In its original historical usage, the term *nationalization* referred primarily to the expropriation of means of production or exchange. In its modern understanding, however, nationalization has come to serve as an umbrella concept that also includes collectivization and the confiscation of other types of assets for their transfer into state or other forms of communal – though effectively state-controlled – ownership. The broadening of the term to cover these related phenomena likely reflects the fact that these two processes occurred simultaneously, relied on similar legal and extrajudicial instruments, served a common ideological purpose, and – when interpreted teleologically – produced outcomes that were either identical or very closely aligned. Therefore, in the contemporary discussions of nationalization, the central issue is not the category of the property seized but the identity of the subject whose property is nationalized.

Notwithstanding these distinctions, the legal institution of nationalization in its current sense can be best understood through its practical implementation as part of the broader social experiment driven by communist ideology in East-Central Europe. The following section, therefore, traces the historical development of the concept of nationalization in both its colloquial and legal dimensions.

2.1. The Concept before Becoming a Legal Phenomenon

The colloquial usage of the concept of nationalization dates back to the time of the French Revolution, during which the term *nationalizer* referred to the attribution of a national character to a given object. It acquired its current popular meaning – as the transfer of an asset into state ownership – only from the 1860s onwards.⁵ The institution's conceptual precursors in Marxist literature may be found at the end of the first volume of *Capital*, in the section on the historical tendency of capitalist accumulation, with the notion of the *expropriation of the expropriators*,⁶ or in the *Communist Manifesto*, where the 'abolition of private property'⁷ is declared as the ideology's quintessence. Within the latter work,

5 'Origin and history of nationalization' (2025) *Etymology Online*. [Online] Available at: <https://www.etymonline.com/word/nationalization> (Accessed: 23 May 2025).

6 Marx, 1887, p. 789. Marx describes the concentration of capital – which was originally born 'sweating blood and filth with every pore from head to toe' – as the expropriation of smaller capital by larger capital, that is, as the result of continuous acts of expropriation. In his view, the historical process of capital concentration essentially involved 'the expropriation of the mass of the people by a few usurpers', whereas in the emergence of communism, 'we have the expropriation of a few usurpers by the mass of the people'. Marx, 1887, p. 790. The phrase expropriation of the expropriators was paraphrased by Lenin in *Pravda* as 'we plunder the plunder', and during the October Russian Revolution, it became a slogan chanted by the masses. Lenin, 1918.

7 Marx and Engels, 1848.

Marx also refers to the ‘centralisation of credit in the hands of the state, by means of a national bank with state capital and an exclusive monopoly.’⁸

The term of nationalization, however, appeared expressly in Marx’s terminology after 1870, namely in a speech given by him in 1872, stating that the ‘nationalisation of land has become a social necessity’.⁹ After this moment, the concept became ingrained in Marxist thought, as exemplified by later works of Friedrich Engels. In a letter dated 1891, he criticizes the institution, stating that ‘so long as the propertied classes remain at the helm, nationalisation never abolishes exploitation but merely changes its form – in the French, American or Swiss republics no less than in monarchist Central, and despotic Eastern, Europe’.¹⁰ However, generally, it can be stated that Marx and Engels’s draft on the communist system appeared extremely uncertain when writing about property and nationalization. For example, they did not clarify which assets should be taken into common ownership. Nor could they decide in what manner and form such possession should take place.¹¹

2.2. As a Legal Concept with Its Historical and Current Definitions

As a legal *terminus technicus*, nationalization was first used to describe the practice established and laid down by the revolutionary Constitution of Mexico, adopted in 1917 – still in force today after numerous amendments –, and the decrees implemented in the early Soviet Union, as discussed *infra* in subchapter 3.¹² Article 27 of the Mexican Constitution vested the Mexican nation with a kind of *dominium eminens* – an original and prior right of ownership – over the country’s waters and all its land.¹³ Consequently, in the constitutional interpretation, private property was nothing more than a portion of the nation’s own property transferred to others, under the nation’s exclusive authority.¹⁴ This article opened the way for extensive land reform in the country.¹⁵ However, the most significant novelty of the provision lay in its introduction of a new, collectivist approach to the concept of property rights, subordinating them to the real or perceived interests of society.¹⁶ This basically marked the functionalization of property rights, attaching societal purposes to their forms of exercise.¹⁷

8 Marx and Engels, 1848.

9 Marx, 1872.

10 Engels, 2010, p. 152.

11 Horváth, 2024, p. 658.

12 Katzarov, 1964, pp. 23, 31.

13 Kragh, 2022, p. 23.

14 Grote, 2017, p. 633.

15 Grote, 2017, pp. 621–622.

16 Grote, 2017, p. 622.

17 Katzarov, 1964, pp. 32–33.

Following the end of the First World War, the conceptual framework underlying nationalization appeared in the constitutions of several major states such as Germany, France, the United States, and Spain.¹⁸ Nevertheless, the legal institution of nationalization experienced its European renaissance only after the Second World War. Most prominently, the incorporation of East-Central Europe into the Soviet sphere of influence resulted in the transplantation of Soviet legal practices in the realm of nationalization. It is, therefore, no coincidence that the most detailed legal analysis of the phenomenon was carried out by Konstantin Katzarov (1898–1980), a jurist originally from Bulgaria who later settled in France, and who is considered perhaps the most meticulous scholar on the subject.

In his thematic book published originally in French in 1960, Katzarov defined the legal institution of nationalization as: '(1) the transformation (2) in the public interest of a superior kind, (3) (a) of specific assets or (b) of a specific activity, which (4) are, or may be, means of production or exchange in the widest sense of the term, (5) into the assets or activity of the community – (a) the State, (b) a local authority, or (c) a cooperative – with a view to (6) their (a) immediate or (b) future utilization in the general interest and no longer in the private interest'.¹⁹

In accordance with this definition (based on Marxist ideology), the objects of nationalization were the potential instruments of exploitation – namely, the means of production. Since, for example, churches were not, or only to a limited extent, participants in profit-oriented economic life, their assets were not classified as 'nationalizable' goods. The reference to a higher public interest makes the above definition strongly ideological in nature, seeking to legitimize nationalization, without considering its inherent costs.

Such definitions – often questionable in terms of impartiality – dominated the majority of the contemporary academic literature. In contrast, current scholarly works often present definitions that partially or entirely oppose this approach.

According to the realist theory of Emőd Veress, nationalization can be understood as an unchallengeable, unilateral declaration of intent by the state, which may even be executed through an administrative act, and whose object is the totality of the means of production. In terms of effect, ownership is transferred to the state from the moment this intent is declared, without the fulfilment of any other formal requirements. Its purpose is the establishment of a new economic order. As for compensation, even if it formally exists, its actual realization is deemed impossible, as the prevailing ideological view held that compensation would merely reproduce capital, the capitalist class, and exploitation.²⁰ In the author's view, nationalization is

18 For details regarding the process, see Katzarov, 1964, pp. 36–39.

19 Katzarov, 1964, p. 160.

20 Veress, 2023, pp. 290–300.

in fact nothing more than expropriation. However, not just any expropriation, but an illegal form of it: expropriation without prior compensation, expropriation on a mass level based on false public utility, affecting the entire society. Ultimately, it is a vile form of abuse of power and coercion, ideologically justified by utopian arguments.²¹

In line with these considerations, the contemporary understanding of nationalization – as reflected in the previously cited definition – extends beyond the mere confiscation of the means of production or exchange. It now also includes the appropriation of various other forms of property, including but not limited to communal properties of certain groups of society. Therefore, if nationalization cannot be fully understood by examining its objects, one must consider the perspective of its subjects. To better understand whose assets were targeted by nationalization policies, it is helpful to introduce a non-legal concept: the ‘objective enemy’, as articulated by Hannah Arendt in her seminal work *The Origins of Totalitarianism*. According to Arendt, the ‘objective enemy’ is not defined by actual guilt or concrete actions but rather by their assigned role within a political ideology as a threat to the system. Such individuals or groups are persecuted not for what they have done but for what they are perceived to represent – making their elimination a necessary step in the self-preservation of a totalitarian regime.²²

From the perspective of Soviet communist ideology, ‘objective enemies’ were not defined by individual actions but by their perceived identity within the ideological framework of the regime. These included the bourgeoisie, former aristocracy, and wealthier peasants (kulaks), who were seen as remnants of exploitative class structures; clergy and religious institutions, viewed as ideological rivals; independent intellectuals and academics, suspected of Western sympathies; former political elites and civil servants tied to pre-socialist regimes; ethnic or national minorities with foreign connections; and even small traders or entrepreneurs labelled as ‘speculators’. All were regarded as inherent threats to the socialist order and were often targeted through legal means such as nationalization – regardless of their actual behaviour or beliefs.

In the light of these considerations, nationalization in Soviet-type dictatorships may be defined as the legal instrument employed to neutralize the regimes’ so-called ‘objective enemies’. Communist ideology played a dual role in this process: first, by designating the initial categories of enemies (while later targets were identified by the regimes themselves), and second, by legitimizing the process through ideological terminology, thereby transforming what was in essence a manifestly unjust practice into one that appeared formally lawful.

21 Veress, 2023, p. 300.

22 Arendt, 1962, pp. 423–424.

3. Nationalization in the Soviet Union

The nationalization processes in East-Central Europe had Eastern, Soviet precedents. It was Soviet practice that established the necessary logical connection between these nationalizations and Marxist ideology, as the theoretical framework developed in the writings of Marx and Engels was primarily a critique of the contemporary capitalist system rather than a detailed blueprint for constructing a new society. This section examines how the Bolsheviks achieved nationalization in the Soviet Union.

After the events known today as the October Revolution – when, on 7 November 1917,²³ the Bolsheviks overthrew the provisional Russian government that had replaced the tsar –, the new regime rapidly transformed nationalization from a theoretical ideal into a sweeping legal and political programme. As mentioned earlier, the expropriation of private property was not simply a pragmatic response to revolutionary upheaval but a deliberate expression of Marxist-Leninist ideology, which envisioned the abolition of private ownership of the means of production as essential to building a socialist order.²⁴

The nationalization process began immediately after the revolution. 'The landed estates, as also all crown, monastery, and church lands, with all their livestock, implements, buildings and everything pertaining thereto', were nationalized by decree on 8 November 1917.²⁵ It is said that Lenin won over the majority of the empire's population by promising the end of the war and this land nationalization disguised as a land reform. Within months, state control was extended to banks,²⁶ the merchant fleet,²⁷ foreign trade,²⁸ all large undertakings (including railways),²⁹ and the insurance sector.³⁰ These nationalizations were, in many instances, preceded by the institutionalization of 'workers' control' in enterprises, which effectively stripped private owners of decision-making power

23 The Bolsheviks seized power on 25 October 1917 under the Old Style (Julian) calendar. In this study, all dates are given according to the standard Gregorian calendar.

24 Feldbrugge, 1973, pp. 465–466; Katzarov, 1964, p. 34; Horváth, 2024, p. 659.

25 Decree on Land, issued by the Second All-Russian Congress of Soviets of Workers' and Soldiers' Deputies on 8 November 1917, in Akhapiin, 1970, pp. 23–26.

26 Decree on Nationalization of Banks, issued by the All-Russia Central Executive Committee on 17 December 1917, in Akhapiin, 1970, p. 62.

27 Decree on Nationalization of the Merchant Marine, issued by the Sovnarkom on 8 February 1918, in Bunyan and Fisher, 1934, pp. 611–612. The Sovnarkom (Council of People's Commissars) was the highest executive and administrative authority of Soviet Russia established after the October Revolution of 1917, responsible for issuing decrees and governing in place of the former Provisional Government.

28 Decree on Nationalization of Foreign Trade, issued by Sovnarkom on 22 April 1918, in Bunyan and Fisher, 1934, pp. 617–618; Horváth, 2024, p. 659.

29 Decree of 26 June 1918. Katzarov, 1964, p. 34.

30 Decree on the Organization of the Insurance Business in the Russian Republic, issued on 28 November 1918. Katzarov, 1964, p. 34.

even before the nationalization measures.³¹ These were also accompanied in February 1918 by a closely related process, namely the abolition of all foreign and domestic debts of the Russian government and its municipalities. All pre-war debts (totalling 13.5 billion rubles) and war-related debts (25.6 billion rubles, 30% of which was borrowed from abroad) were unilaterally repudiated.³² According to Martin Kragh, this might have been one of the largest sovereign debt defaults in economic history.³³ Nationalization continued through 1920, ultimately covering virtually all enterprises employing more than ten workers or five workers when using mechanized equipment.³⁴

Soviet legal doctrine treated nationalization as an exercise of state sovereignty and deliberately rejected the prevailing norms of international law. According to this position, a state has the sovereign right to nationalize property within its territory without being bound by external legal constraints such as the requirement to provide compensation.³⁵ This approach was not just theoretical: between 1917 and 1920, the Soviet government expropriated all foreign-owned property within its borders. The lack of compensation to former owners hindered Western governments' recognition of the Soviet government and the conclusion of future trade agreements.³⁶ Though some partial compensation was later offered in particular cases, these were framed explicitly as political concessions and not as legal obligations under international law.³⁷ The most contentious issue arose when it came to the nationalization of assets of foreign direct investments, which

made up a comparatively high share of total stocks and securities in the Russian Empire. According to a Soviet estimate, foreign participation was particularly important in sectors such as mining (91% of total), chemicals (50%), metalworking (42%), woodworking (37%), and textiles (28%).³⁸

Among foreign investors, France held the largest share, with its citizens owning roughly one-third of such enterprises in tsarist Russia. Other significant investments mostly came from British, German, and Belgian citizens.³⁹

31 Feldbrugge, 1973, p. 466.

32 For the details, see Kragh, 2022, pp. 21, 26.

33 Kragh, 2022, p. 21.

34 Katzarov, 1964, p. 35.

35 Osakwe, 1973, p. 465. For a longer critique of this view from a legal perspective, see Seidl-Hohenveldern, 1958, pp. 555–567.

36 Kragh, 2022, p. 22.

37 Osakwe, 1973, p. 465. Even after the fall of the Soviet Union, in 1997, the Russian government, led by President Boris Yeltsin, resolved the claims of French holders of Tsarist-era bonds through a one-time payment of 300 million US dollars. The USA has still 'officially not forgiven the debt claims following the Soviet nationalisation of US private property'. Kragh, 2022, p. 22.

38 Kragh, 2022, p. 24.

39 Kragh, 2022, pp. 24–25.

An important but often underemphasized dimension of Soviet nationalization was the systematic confiscation of church properties. Though framed as secularization, these measures functioned as *de facto* nationalizations, targeting church-run schools, religious edifices and liturgical assets alike. The 1918 Decree on the Separation of Church and State⁴⁰ eliminated the legal personality of religious institutions, deprived them of property rights, and transferred control of tens of thousands of church-run schools to the People's Commissariat for Education.⁴¹ By 1919, education had been fully restructured as a tool for ideological indoctrination, aiming to free the masses from 'religious prejudice' and subordinating instruction to the goals of 'communist regeneration'.⁴² Later decrees also authorized the seizure of liturgical valuables,⁴³ reflecting the regime's broader goal: not merely secularizing public life but eradicating alternative systems of belief and authority. In this respect, church property was absorbed into the state apparatus just as thoroughly as banks, factories, or transport networks.

The reach of nationalization extended beyond industry, finance, or the church. Through the process of municipalization – initiated in 1918 for urban areas and expanded to rural regions in 1924 –, most housing property was placed under the control of local authorities, representing a unique form of decentralized state ownership.⁴⁴

After the consolidation of the regime, the Soviet model of the tripartite legal hierarchy of property types was formalized in the 1936 Constitution. Socialist property was defined as existing either in the form of state property or cooperative property, while limited personal property was permitted for individual use (Articles 5 and 10). The land, its natural deposits, waters, forests, mills, factories, mines, rail, water and air transport, banks, post, telegraph, and telephones, large state-organized agricultural enterprises as well as municipal enterprises and the bulk of the dwelling houses in the cities and industrial localities were all declared state property (Article 6). Public enterprises in collective farms and cooperative organizations, with all their assets, constituted the socialist property (Article 7). Personal ownership was limited to income derived from labour and savings, dwelling houses and subsidiary household economies, as well as household furniture, utensils, and articles for personal use and convenience, while formally the rights of inheritance remained guaranteed (Article 10).⁴⁵ In subchapter 4, the

40 Decree on Separation of Church and State passed by Sovnarkom on 5 February 1918 in Bunyan and Fisher, 1934, pp. 590–591.

41 Ignatiev, 1933, pp. 662–663.

42 Bukharin and Preobrazhensky, 1922, p. 388.

43 Horváth, 2024, p. 444.

44 Feldbrugge, 1973, p. 466.

45 See articles 4, 5, 6, 7, 10, and 14 of the 1936 Constitution. *Constitution of the Union of Soviet Socialist Republics with Amendments and Additions adopted by the First, Second, Third, Sixth, Seventh and Eighth Sessions of the Supreme Soviet of the U.S.S.R.* Kremlin, Moscow,

impact of these provisions on the constitutions of the states of the Eastern Bloc becomes apparent.

After the Second World War, the ‘commanding heights’ of the economy, as well as the assets of the regime’s ‘objective enemies’ were all taken over in the states which would later be called in their own constitutions ‘people’s democracies’⁴⁶ (albeit not in the same order and according to the same rhythm). The ‘nationalisations effected in these countries derive[d] without exception from a common ideological source’,⁴⁷ with the earlier Soviet practice serving as a role model in the transformation of the political and economic system, as demonstrated in subchapter 5.

4. Constitutional Aspects of Nationalization in East-Central European States

Although the process of nationalization had already begun in most Eastern Bloc countries prior to the adoption of new constitutions (with the notable exceptions of Romania and Bulgaria), the promulgation of these constitutions nevertheless represented an important step in establishing the legal legitimacy of the newly installed regimes. In every case, however, the adoption of the constitutions was carried out without regard for the procedures prescribed in earlier constitutional frameworks.

These imposed constitutions, even if their provisions functioned largely as window dressing – enacted to create the appearance of formal legality for the sweeping socioeconomic transformations introduced by the new regimes –, nonetheless provided explicit authorization for nationalization in sectors such as trade, transport, credit, and industry, as well as for the expropriation of church property. As Katzarov observed, ‘if nationalisation was to be introduced completely and systematically [...] [it had to] be given a new constitutional basis, in harmony with the new conditions’.⁴⁸ This study therefore goes on to examine the constitutional provisions that enabled nationalization targeting: (1) the so-called exploiting classes, who owned the means of production and trade

5 December 1936. [Online]. Available at: <https://www.marxists.org/reference/archive/stalin/works/1936/12/05.htm> (Accessed: 23 May 2025). Feldbrugge, 1973, p. 466; Katzarov, 1964, p. 36.

46 The so-called people’s democracies were classified in the contemporary scientific literature as socialist states, alongside the Soviet Union and Yugoslavia. At their height, there were twelve such states, seven of them in Europe: the German Democratic Republic, Poland, Czechoslovakia, Hungary, Bulgaria, Romania, and Albania. Schultz, 1973, p. 506. The term people’s democracy was employed in contrast to the Soviet Union, whose 1936 Constitution declared that in the USSR socialism had already been achieved, therefore officially defined the country as a socialist state. Gorlizki, 2018, p. 1108.

47 Katzarov, 1964, p. 53.

48 Katzarov, 1964, p. 53.

(the bourgeoisie and large landowners); and (2) other 'objective enemies' of the regimes, including, for example, collaborators with earlier fascist governments and religious institutions whose valuables were subject to confiscation.

Although the East-Central European constitutions enacted after the Second World War expressly upheld the rights of inheritance and enterprise, as well as private (personal) property – including, at least in principle, the possibility of private ownership of the means of production [articles 6 and 10 of the 1947 Bulgarian Constitution (BC); articles 8, 146, 152, and 158 of the 1948 Czechoslovak Constitution (CSC); articles 19 and 22 of the 1949 Constitution of the German Democratic Republic (GC); articles 4 and 8 of the Hungarian Constitution⁴⁹ (HC); articles 12 and 13 of the 1952 Polish Constitution (PC); and articles 5 and 8 of the 1948 Romanian Constitution⁵⁰ (RC)] –, they simultaneously introduced a profound paradigm shift in the role of private property within economic life. What had previously been the foundation of the economy was reduced to a marginal link in the economic chain, as the principal means of production were transferred to state or cooperative ownership.⁵¹ In this way, these constitutions laid the foundations for the centrally directed planned economy.

This transition was implemented primarily through two sets of provisions. First, all constitutions excluded the possibility of private ownership of natural resources and key infrastructure, placing them under state ownership. These included all subsoil riches, mineral deposits, forests, waters, sources of natural energy, railways, roads, waterways, air routes, as well as the postal, telegraph, telephone, and radio systems (Article 7 BC, articles XII and 148 CSC, Article 25 GC, Article 6 HC, Article 8 PC, and Article 6 RC).

Second, while retaining the classical institution of expropriation – undertaken for public utility with due compensation, as inherited from earlier legal orders –, the constitutions introduced or legitimized nationalization as a new legal measure. Some explicitly provided for it [Article 10(6) BC, articles 152 and 153 CSC, Article 11 RC], while others – particularly those more closely modelled on the 1936 Stalinist Constitution of the Soviet Union – conferred its legitimacy in broader terms [Article 24 GC, Article 4(2) HC, Article 7(1) PC]. These provisions authorized the nationalization of branches of industry, commerce, transport, banking, and insurance whenever the general interest was deemed to require it. In addition, several constitutions declared a state monopoly over foreign trade.

The confiscation of assets other than those formally designated as means of production is of particular interest. Such confiscations may also be regarded as

49 For details on the adoption of the 1949 Hungarian Constitution, see Horváth, 2024, pp. 84–86. Prior to the adoption of the Soviet-type Constitution, Hungary had an unwritten constitution. In the view of the leadership of the Hungarian communist party, the absence of a charter-type constitution merely facilitated the transformation of law and the economy along ideological lines.

50 For a critical analysis of the 1948 Romanian Constitution, see Fazakas, 2024, pp. 121–126.

51 Katzarov, 1964, p. 54.

nationalizations, since – although often officially termed ‘takeovers’ or similar – they generally occurred simultaneously with, and utilized the same methods as, the nationalizations provided for in the constitutional provisions discussed above. The distinguishing factor is that these measures did not target the so-called exploiting classes, who controlled the means of production and thus the economy, but rather other ‘objective enemies’ of the regimes, such as Nazi collaborators or churches that represented an alternative system of belief to communist ideology. Some of these latter forms of nationalization were explicitly incorporated into the constitutions of the time, depending on the social prominence of the targeted institution or group prior to the establishment of Soviet-type dictatorships.

The nationalization of assets belonging to individuals deemed collaborators – often of German origin – occurred in every country shortly after the Second World War, even before the communist parties had achieved full control over the state. This practice gained particular significance in the German Democratic Republic, where it was explicitly enshrined in the constitution. Article 25 of the GC declared, as an already accomplished fact, that enterprises owned by war criminals and active National Socialists had been expropriated and would be transferred to the people’s ownership without compensation. The same provision applied to private enterprises that had provided services in support of a warlike policy.

As churches played a significant role in maintaining substantial school networks – particularly those serving ethnic minorities and providing education in their mother tongue – in Romania and, to a lesser extent, in the Czech lands of Czechoslovakia, the new regimes sought to integrate all educational institutions into a unified state system for purposes of ideological indoctrination. This desideratum is explicitly reflected in some constitutions.⁵² Article 13(1) of the CSC declared that all schools are state-maintained, which, by implication, rendered religious education impossible. In Romania, this was made even more explicit: Article 27 of the RC prohibited any denomination, congregation, or religious community from opening or maintaining general educational institutions, allowing only special schools for training clergy under state supervision.

In contrast, the German Democratic Republic occupied a different geopolitical position, with open borders to the West until 1961.⁵³ Article 45 GC formally guaranteed the ownership and other rights of religious associations and unions regarding their institutions, foundations, and other property devoted to worship, education, and charity. Nevertheless, before the adoption of the GC, as early as 1946, the entire church-maintained educational system was nationalized under the law on the ‘democratisation of the German school’.⁵⁴

52 Kovács, 2025, pp. 79–80.

53 Flade and Kamosiński, 2021, p. 167.

54 Thierault, 2006.

In Hungary, where approximately 60% of all schools were church-run, the nationalization of the education system also preceded the adoption of the HC. Section 54(2) of the HC, therefore, merely restates, in a concise form, the solution of the 1936 Soviet Constitution: 'For the purpose of guaranteeing freedom of conscience, the Hungarian People's Republic separates the church from the state.' More generally, following the Soviet model, all other constitutions provided for the separation of church and state (Article 79 BC, Article 70 PC) and, in some cases, explicitly mandated secular education.

5. The Process and Legal Means of Nationalizations in Three States of East-Central Europe

As stated earlier, nationalizations cannot be regarded as fully lawful processes, even from a formal perspective. Although the constitutions of the people's democracies – interpreted through the lens of Soviet legal theory – clearly denied the principle of separation of powers, one might assume that nationalization norms were adopted solely by the national representative bodies. In practice, however, the legal instruments used to transfer private assets to the state varied widely, ranging from acts passed by the legislature (called national assemblies after the adoption of new constitutions) to decrees issued by central authorities (such as the Council of Ministers) or local administrative bodies, and even to forced donations (contracts lacking the genuine intention of gratification, or *animus donandi*).⁵⁵

Despite these irregularities, nationalizations in East-Central European states invite closer analysis from a legal perspective. In the following sections, the nationalization norms in Romania, Hungary, and the German Democratic Republic will be examined separately, without, however, tackling the processes of agricultural collectivization. Particular attention will be paid to two aspects: (1) the types of legal instruments used for nationalization before and after the total establishment of Soviet-type dictatorship; and (2) the legislative techniques employed in nationalizing the perceived means of production and trade. Generally, this was achieved either through a single, comprehensive nationalization act or via multiple subsequent acts.

5.1. Nationalizations in Romania

Romania switched sides during the Second World War on 23 August 1944. Shortly thereafter, Soviet troops occupied the country swiftly, bringing with them the ideology that would shape Romania's history for the next five decades. Even before the total communist takeover – marked by the forced abdication

⁵⁵ Bonyhai, 2022, pp. 15–16.

of King Michael and the proclamation of the republic in early 1948 –, several nationalization-like measures were introduced under a government in which the Communist Party already played a prominent role.

The first such measure was the establishment of the Office for the Administration and Supervision of Enemy Assets,⁵⁶ tasked with confiscating the properties of the German and Hungarian states as well as their nationals. The second, and most significant, was the land reform of 1945,⁵⁷ which dismantled large estates by expropriating them without compensation and distributing the land cheaply to peasants in order to gain popular support.⁵⁸ This step was necessary because the Romanian Communist Party suffered from a profound lack of legitimacy among the general population.⁵⁹ The third measure was the nationalization of the National Bank of Romania in 1946.⁶⁰ All three initiatives were enacted through laws adopted by Parliament.

Following the complete takeover of power and the establishment of single-party rule – symbolically consolidated and later legitimized through the adoption of a new constitution on 13 April 1948 –, the political will for large-scale nationalization was made explicit. From this point, the nationalization process proceeded in two stages: (1) a sweeping act that deliberately sought to restructure economic life by bringing major sectors under state control⁶¹ and (2) a series of increasingly strict decrees that expanded the scope of nationalization with the ultimate aim of liquidating the private sector altogether, both concretely in economic terms and more abstractly in terms of the right to engage in enterprise.

On 11 June 1948, Romania adopted its principal nationalization law, Act No. 119/1948.⁶² Passed by the Great National Assembly in accordance with the new constitution, the act radically altered the country's ownership structure. Its immediate effect was to bring 8,894 enterprises – including thousands of local operations – under state control.⁶³ The law was broad in scope but internally stratified. Article 1 listed seventy-seven categories of assets, enterprises, and

56 Established on the basis of Law No. 91 of 10 February 1945. Published in the *Official Gazette* No. 32 of 10 February 1945. For a critique of this institution from the perspective of the Hungarian minority extant in Romania, see Fazakas, 2024, pp. 160–161.

57 Law No. 187 of 23 March 1945. Published in the *Official Gazette* No. 68 of 23 March 1945. For a critique of this land reform from the perspective of the Hungarian minority extant in Romania, see Fazakas, 2023, pp. 11–19; Vincze, 1999, p. 196.

58 Tismăneanu et al., 2007, p. 412; Bucur, 1994, p. 314.

59 The Communist Party of Romania was the smallest communist party before the Second World War among the states that later formed the Eastern Bloc. During the interwar period, a substantial part of the party was composed of Romania's ethnic minorities. When Romania switched sides in 1944, the party had fewer than 1,000 members. Boia, 2016, pp. 13–15.

60 Law No. 1056 of 28 December 1946. Published in the *Official Gazette* No. 298 of 28 December 1946.

61 Katzarov, 1964, p. 62.

62 Published in the *Official Gazette* No. 133 bis of 11 June 1948.

63 Tismăneanu et al., 2007, p. 413.

facilities subject to immediate nationalization, defined either without limitation (e.g. all window or paper producers) or by specific thresholds such as workforce size, mechanical capacity, production volume, or equipment count. An enterprise qualified if it met these thresholds at any time between 1 January 1938 and the law's promulgation, giving the law retroactive effect. In addition, twenty-seven annexes named hundreds of major enterprises directly.

The act also extended to subsidiaries, auxiliary facilities, and all related assets, including buildings, equipment, intellectual property, finances, and inventories. As Veress has observed, nationalization under this law erased encumbrances such as mortgages, meaning that only the assets – but not the liabilities – were transferred to the state.⁶⁴ Article 5 exempted properties of UN member states with pending war indemnities, effectively safeguarding assets already transferred to the USSR, including many formerly German holdings. The 193 Romanian–Soviet joint ventures (SovRoms) were also treated separately, with only non-state-owned assets subject to nationalization.⁶⁵ Articles 11–15 formally regulated compensation, establishing the Nationalized Industry Fund under the Council of Ministers. In practice, however, compensation was rare, and these provisions appear largely symbolic – designed to lend a semblance of legality to expropriation while preventing the preservation of private capital. Finally, articles 18–19 criminalized any opposition to nationalization measures, thereby securing the state's control through legal coercion.

Small-scale industrial enterprises with fewer than ten workers or less than twenty horsepower, as well as minor commercial activities, such as pharmacies, hospitals, and cinemas, were excluded from the sweeping 1948 nationalization law.⁶⁶ Nevertheless, the measure marked the decisive onset of Romania's centrally planned economy, signalled by the creation of the State Planning Commission in July 1948 and the subsequent adoption of annual and five-year plans that would guide economic life until 1989.

Later nationalizations no longer took the form of laws but of decrees issued by the Presidium of the Great National Assembly, subsequently approved by the Assembly. These decrees followed the normative framework established by the 1948 act. As Bucur and Veress note, the key measures included: Decree No. 197/1948,⁶⁷ nationalizing all remaining private banking and credit institutions; Decree No. 232/1948,⁶⁸ covering nine railway companies omitted from the original law; Decree No. 302/1948,⁶⁹ nationalizing all private healthcare institutions – including those affiliated with churches or monastic orders – together with their

64 Veress, 2015, p. 135.

65 Veress, 2015, p. 131.

66 Tismăneanu et al., 2007, p. 413; Bucur, 1994, p. 314.

67 Published in the *Official Gazette* No. 168 of 13 August 1948.

68 Published in the *Official Gazette* No. 209 of 9 September 1948.

69 Published in the *Official Gazette* No. 256 of 3 November 1948.

auxiliary facilities, equipment, and supplies; and Decree No. 303/1948,⁷⁰ which nationalized the entire film industry, including 409 cinemas, 37 distribution houses, and 7 laboratories.

To these, two additional decrees of particular significance should be added: Decree No. 175/1948,⁷¹ which declared that all private educational institutions were to be nationalized, and Decree No. 176/1948,⁷² which listed more than 1,535 such institutions (with 2/3 of them belonging to the German and Hungarian churches) and prescribed that all movable and immovable property necessary for their functioning be transferred to state ownership.⁷³ Like the earlier decrees, these measures replicated the framework of the 1948 nationalization law, including the same sanctions against resistance. In the same year, the Greek Catholic Church was dissolved, following the Soviet model, through a ministerial decree of the Ministry of Cults (Religious Affairs).⁷⁴ From the perspective of nationalization, this measure was highly significant: all the Church's movable and immovable property – excepting former parish houses – was transferred to the state. A ministerial committee was authorized to dispose of these assets, with the option of reallocating them to the Romanian Orthodox Church. As education and healthcare institutions were nationalized, the Council of Ministers in mid-1949 issued a decision⁷⁵ prohibiting the operation of Roman Catholic monastic orders that had previously engaged in these activities, effectively dissolving 15 out of the 25 such orders in Romania.⁷⁶

By early 1949, with virtually all major enterprises already nationalized, Decree No. 61/1949⁷⁷ abolished the Stock Exchange, followed by a new wave of measures. Decree No. 83/1949⁷⁸ nationalized unallocated land from the 1945 agrarian reform, including 6,258 estates and 4,456 manor houses, and extended nationalization to enterprises considered necessary for completing state-owned units or included in state plans – generally those with at least ten workers and twenty horsepower.⁷⁹ Decree No. 317/1949⁸⁰ established a state monopoly over all foreign trade, a principle later entrenched in the constitutions, while Decree No. 134/1949⁸¹ transferred into state ownership pharmacies, chemical-pharmaceutical laboratories, drugstores, depots, and analysis laboratories, totalling 2,029 facilities.

70 Published in the *Official Gazette* No. 256 of 3 November 1948.

71 Published in the *Official Gazette* No. 177 of 3 August 1948.

72 Published in the *Official Gazette* No. 177 of 3 August 1948.

73 Kovács, 2025, pp. 91–92.

74 Decree No. 358/1948. Published in the *Official Gazette* No. 281 of 2 December 1948.

75 Decision No. 810 of 29 July 1949. Published in the *Official Gazette* No. 51 of 29 July 1949.

76 Bánkuti, 2016, p. 49.

77 Published in the *Official Gazette* No. 41 of 18 February 1949.

78 Published in the *Official Gazette* No. 1 of 2 March 1949.

79 Bucur, 1994, p. 319.

80 Published in the *Official Gazette* No. 9 of 28 July 1949.

81 Published in the *Official Gazette* No. 15 bis of 2 April 1949.

(This process was finalized by Decree No. 418/1952,⁸² which completed the nationalization of all private pharmacies under the Ministry of Health). Finally, Decree No. 92/1950⁸³ extended nationalization to the real estate of so-called 'class exploiters', including hotels, abandoned or unfinished commercial buildings, and war-damaged properties whose owners had failed to restore them.

In legal practice, the question arose whether nationalizations enacted by administrative acts could be challenged as expropriations. The Supreme Tribunal held that appeals were permissible only if expressly provided by law, with complaints admissible before higher administrative authorities but not before the courts. As a result, even enterprises nationalized without an express legal provision had no judicial way to contest the measure.⁸⁴

5.2. Nationalizations in Hungary

The Soviet army entered Hungary in August 1944 and completed its occupation on 11 April 1945. Even before the capture of Budapest, the so-called Provisional National Government of Hungary had been established on 22 December 1944 in the already occupied eastern territories. This government, which included members of the formerly illegal Communist Party, adopted the first nationalization-like measure. The land reform decreed by the Prime Minister on 15 March 1945,⁸⁵ later confirmed by the National Assembly as Act VI of 1945,⁸⁶ was not only aimed at dismantling the feudal-like latifundia and redistributing land to the peasantry but also served as a means of punishing the former elites and the entire German minority in Hungary. For example, on the one hand, the law mandated the complete confiscation of property belonging to 'traitors', including fascist leaders and war criminals, but, on the other hand, it also prescribed the same sanction for anyone who had reclaimed their German family name in the preceding years. This land reform was accompanied by the deportation of German families to Germany on the basis of collective war guilt, with a decree of the Prime Minister⁸⁷ providing the ulterior legal basis. Naturally, the deportations also entailed the confiscation of their movable and immovable property.⁸⁸

Subsequent governments introduced further nationalization measures in line with the well-known 'salami tactics'.⁸⁹ At the end of 1945, on the basis of a decision

82 Published in the *Official Gazette* No. 16 of 16 May 1953.

83 Published in the *Official Gazette* No. 36 of 20 April 1949.

84 'Decision No. 2215 of 31st October 1955 of the Supreme Tribunal of the People's Republic of Romania', *Legalitatea Populară*, 1956/1, pp. 111–113. *apud* Veress, 2015, p. 134.

85 Decree of the Prime Minister No. 600/1945. Promulgated on 18 March 1945.

86 Promulgated on 6 September 1945.

87 Decree of the Prime Minister No. 12330/1945. Promulgated on 29 December 1945.

88 'A német ajkú kisebbség (svábok) jogfosztása 1944–1950' in Mihályi, 2025.

89 The term 'salami tactics' is attributed to Hungarian communist dictator Mátyás Rákosi (1892–1971) after World War II, describing a strategy of gradually eliminating opposition slice by slice,

of the National Assembly, the Prime Minister issued a decree⁹⁰ placing coal mines under state management. The full nationalization of all coal mines followed half a year later with Act XIII of 1946 on the Nationalization of Coal Mining.⁹¹ In September of the same year, Act XX of 1946⁹² transferred all power plants and transmission lines to state ownership. In both cases, the state formally undertook the obligation to compensate for the nationalized assets and rights, with the details to be set out in a separate law. However, no such law was ever passed, nor was a deadline set for its adoption. The two-stage character of Hungarian nationalizations thus becomes evident: first, the state placed an industry or sector under its management, followed later by full nationalization through legislation.⁹³

Another decree of the Prime Minister in 1946 placed Hungary's five largest industrial companies under state management,⁹⁴ ostensibly 'temporarily' and in order 'to advance the interests linked to the reconstruction of economic life and the preservation of the balance of public finances, and to fulfil the country's reparation obligations'. A peculiarity of the Hungarian process was that nationalization did not target the assets of these companies directly, but rather their shares. In the case of joint-stock companies, the assets remained the property of the company, but the shares became state property, thereby transferring complete control to the state. The government's power to legislate by decree in such matters was granted by Act XVI of 1946⁹⁵ on legislative delegation in cases of emergency.

The year 1947 brought further measures consolidating the total communist takeover of power and Hungary's transition to a planned economy. Act XVII of 1947⁹⁶ introduced the three-year economic plan, with the declared aims of accelerating Hungary's economic and intellectual development, consolidating its democratic order, and improving the living standards of the population. The fraudulent 1947 parliamentary elections, combined with the annulment of opposition mandates, enabled the Communist-led Left Bloc to secure a parliamentary majority and form a new government. On the last day of the year, Act XXX of 1947⁹⁷ extended nationalization by transferring into state ownership

like cutting a salami, until only one's own party remains dominant. It also describes the gradual appropriation of power through strategic steps.

90 Decree of the Prime Minister No. 12200/1945. Promulgated on 20 December 1945.

91 Promulgated on 26 June 1946. Interestingly, the reasoning behind the law cited the necessity of such nationalization by pointing to the fact that it had already taken place in Czechoslovakia and Poland in the previous years.

92 Promulgated on 14 September 1946.

93 Barotányi, 2010.

94 Decree of the Prime Minister No. 23550/1946. Promulgated on 28 November 1946. This was later augmented by Decree of the Prime Minister No. 2990/1948. Promulgated on 13 March 1948.

95 Promulgated on 30 September 1946.

96 Promulgated on 11 July 1947. Augmented later, by Act XXXVI of 1948, which redefined a foreign person. Promulgated on 22 July 1948.

97 Promulgated on 31 December 1947.

all shares held by Hungarian citizens in the Hungarian National Bank and other credit institutions operating as joint-stock companies.⁹⁸ In practice, this meant the nationalization of the entire banking sector. The measure also encompassed the network of financial institutions and enterprises under bank control, which together accounted for a significant portion of the Hungarian industry and employed more than half of the country's industrial workforce.

At the beginning of the following year, Act XIII of 1948⁹⁹ was adopted on the nationalization of bauxite mining and aluminium production. This measure marked the conclusion of the first stage of Hungarian nationalizations. What followed was a general nationalization law, closely resembling the Romanian model. On 3 March 1948, the Politburo of the by-then completely dominant Communist Party decided to nationalize factories employing more than 100 workers. After preparation, the proposal was submitted to the Council of Ministers on 25 March. On the same day, under strict secrecy, several hundred appointed managers were assembled and instructed to take over the leadership of the affected enterprises.

The nationalization was formalized in Act XXV of 1948,¹⁰⁰ promulgated on 11 May, which retroactively assessed the employment threshold to 1 August 1946. As in previous nationalizations, the takeover occurred through the transfer of shares in joint-stock companies, cooperative shares in cooperatives, and equity stakes in limited liability companies, coupled with the formal obligation of later compensation under a separate law – which never materialized. Enterprises forming an economic unit with the targeted companies were also included, such as subsidiaries or plants leased, rented, or otherwise used by them. The annexes to the act listed several dozen major enterprises by name. Following the adoption of the act, the Budapest Stock Exchange was closed.¹⁰¹

Initially, state-managed companies were administered through state holdings such as the Hungarian State Coal Mines and the Heavy Industry Centre. Later, two separate acts reorganized most of these enterprises into 'national enterprises'¹⁰² or 'municipal enterprises',¹⁰³ the latter being under the ownership of local governments.

After the adoption of the general nationalization law, the dictatorship turned its attention to the churches. Traditionally, churches had sustained the vast majority

98 Because the shares of foreign legal or natural persons were not subjected to state takeover, the banks did not entirely pass into state ownership. This situation caused legal quagmires later on, which were finally settled in 1967 when the state purchased all the shares that remained abroad. For details, see Kovács, 2016; 'A pénzintézetek államosítása' in Mihályi, 2025.

99 Promulgated on 17 February 1948.

100 Promulgated on 11 May 1948.

101 Veress, 2023, p. 289; Barotányi, 2010.

102 Act XXXVII of 1948 on the National Enterprise. Promulgated on 28 July 1948.

103 Act X of 1949 on the Municipal Enterprise. Promulgated on 8 April 1949.

of Hungary's kindergartens and schools through their institutional assets, but their capacity had already been weakened by the land reform. A systematic campaign – comprising secret police home searches, show trials, and coordinated press offensive – facilitated the nationalization of church schools. Though officially framed as a grassroots demand from teachers' delegations, the process was in fact directed and orchestrated by the party. These resulted first in Government Decree No. 6500/1948¹⁰⁴ placing under seal the buildings and equipment of non-state kindergartens, schools, and the associated student homes, and second in Act XXXIII of 1948,¹⁰⁵ which transferred more than 6,500 schools into state ownership, reclassified teachers as civil servants, and absorbed all related assets into state hands, while allowing only theological institutions to remain under church control.¹⁰⁶ Two years later, the operation of all monastic orders – except for a few teaching orders – was banned.¹⁰⁷ Interestingly, around the same time, Romania moved in the opposite direction, targeting teaching orders instead.

Regarding smaller participants in the national economy, by the time of the major waves of nationalization, the imposition of the planned economy, and the adoption of the new constitution, formal nationalization was often unnecessary. Other methods sufficed to cripple private companies, including ruthless income tax collection, legal provisions enabling unilateral contract modifications against entrepreneurs, tightened credit policies, and pervasive state control over supply chains.¹⁰⁸ Those who resisted the mounting pressure of the party-state, which included blackmail and outright violence, eventually faced direct legal takeover. This final stage occurred mainly through decrees of the Council of Ministers, which nationalized all remaining electricity generation and distribution companies, all printing firms, all foundries employing at least five workers, all mills with a daily grinding capacity of 150 quintals or more, all car repair workshops and garages with a floor area of at least 100 m², all ships and barges of 30 horsepower or 100 tons capacity or greater, and any enterprise with more than ten employees.¹⁰⁹ The annexes to this decree listed hundreds of major enterprises by name.

The nationalization of private pharmacies¹¹⁰ and other enterprises still in private hands – such as theatres, cinemas, and sports foundations – was carried out later through separate legal measures.¹¹¹ Interestingly, entailed estates (*hitbizományok*) (hereditary family estates that could not be divided or sold,

104 Promulgated on 11 June 1948.

105 Promulgated on 16 June 1948.

106 Kovács, 2025, pp. 85–88.

107 Decree-Law No. 34 of 1950. Promulgated on 7 September 1950.

108 'A kisipar és a kiskereskedelem államosítása 1949-től' in Mihályi, 2025.

109 Decree-Law No. 20 of 1949. Promulgated on 28 December 1949.

110 Decree-Law No. 25 of 1950 on the Nationalization of Public Pharmacies. Promulgated on 28 July 1950.

111 'A társadalombiztosítás, az oktatás, az egyházi intézmények, a kultúra és a tudomány államosítása' in Mihályi, 2025; Horváth, 2024, p. 660.

designed to preserve family wealth across generations) were also subjected to nationalization. The process followed the same pattern as earlier measures: on 27 July 1948, Decree No. 7930/1948 placed the assets of family entailed estates under state control, requiring families to compile detailed inventories of their art collections, libraries, and archives. From that point on, these assets could no longer be freely sold or transferred. Act VII of 1949¹¹² subsequently formalized the nationalization of these estates based on the previously submitted inventories.

The state and its local authorities also assumed control over hospitals, clinics, sanatoriums, and medical services that had previously been operated by social insurance funds such as the National Social Insurance Institute, the Miners' Mutual Fund, and the Postal Insurance Institute. They further took over regional and specialist medical services provided by the State Railways' Insurance Institute.¹¹³ A similar fate awaited the housing properties of the 'bourgeoisie and other exploiters', which had been subject to confiscation through various legal and extra-legal measures¹¹⁴ from 1945 onwards. These confiscations were subsequently legitimized (providing for the possibility of future nationalizations as well) in a single decree from 1952.¹¹⁵

5.3. Nationalizations in the German Democratic Republic

The Second World War ended officially in Europe on 8 May 1945, with the unconditional surrender of fascist Germany to the Allies. Afterwards, Germany was partitioned into four different occupation zones, controlled respectively by the United States, the United Kingdom, the Soviet Union, and later France. On 7 October 1949, the zone controlled by the Soviets became a separate state: the German Democratic Republic. Even before the creation of this state, 'the "commanding heights" of the economy of the Soviet zone had been brought under state control, [but] a large part of the economy, especially small and medium-sized firms in light industries and the food industry, remained in private hands'.¹¹⁶

Before the founding of the GDR, the nationalization of industry in the Soviet Occupation Zone proceeded through two principal measures. Firstly, natural resources and mining enterprises, considered the fundamental basis of post-war economies, were transferred into public ownership through general socialization laws enacted separately by the five occupied Länder in 1947, thus

112 Promulgated on 4 April 1949.

113 Council of the Council of Ministers No. 139/1950 on the Healthcare Provision for Workers. Promulgated on 14 May 1950.

114 'A lakásvagyon részleges államosítása 1945 és 1953 között' in Mihályi, 2025.

115 Decree-Law No. 4 of 1952 on the Nationalization of Certain Residential Properties. Promulgated on 17 February 1952.

116 Flade and Kamosiński, 2021, p. 167.

giving these expropriations a semblance of domestic legality.¹¹⁷ In Saxony, this was augmented by a legitimizing referendum on 30 June 1946, which saw 77.6% support for transferring the property of alleged war criminals and Nazis into public ownership.¹¹⁸ Secondly, the Soviet authorities directly confiscated private enterprises, beginning with ‘spontaneous’ seizures by the Red Army in mid-1945 and later formalizing them through sequestration procedures against alleged Nazi activists, war criminals, and arms producers.¹¹⁹ These measures were legally consolidated by the Soviet Military Administration, most notably through Orders No. 124 and 126 of October 1945, which sanctioned expropriations on the basis of Nazi affiliation, and later on by Order No. 64 of April 1948, which confirmed earlier seizures and expressly prohibited legal challenges.¹²⁰ The confiscated enterprises were reorganized into state-owned companies (*Volkseigene Betriebe*), while strategically significant industrial concerns, such as those in heavy industry, steel, and chemicals, were converted into Soviet joint-stock companies (*Sowjetische Aktiengesellschaften*) to meet reparation claims.¹²¹ These were returned gradually from 1947 onwards to the East German authorities.

Between spring 1948 and the introduction of a new economic policy after Stalin’s death in 1953, the regime employed multiple measures to weaken private enterprise. The Soviet Zone leadership established a credit monopoly from mid-1948, restricting loans to firms aligned with national economic plans, while a 1949 tax reform imposed class-based taxation that further constrained private businesses. Expropriations were carried out under the broadly framed Economic Penal Code, which made it easy to classify firms as guilty of ‘economic crimes’, though smaller enterprises were often spared to avoid overburdening the state. Heavy fines and the 1952 ordinance on the Safeguarding of Capital Values – under which those leaving the Soviet Zone forfeited property rights – forced many proprietors into bankruptcy or emigration. Administrative and fiscal discrimination also limited private investment, while state resources were directed exclusively to nationalized enterprises, consolidating the shift towards public ownership.¹²²

In the mid-1950s, as a pragmatic compromise between socialist ideology and economic necessity, an ‘ideologically deviant form of business’¹²³ has emerged. These were companies with state participation (without parallels in other countries of the Eastern Bloc). To stabilize production after the 1953 uprising and the disruptions of forced collectivization, the GDR allowed the state to

117 Friedrich et al., 2024, p. 421; Katzarov, 1964, p. 65.

118 Flade and Kamosiński, 2021, p. 166.

119 Flade and Kamosiński, 2021, p. 166.

120 Friedrich et al., 2024, p. 421; Katzarov, 1964, p. 65.

121 Friedrich et al., 2024, p. 421, Flade and Kamosiński, 2021, p. 166

122 Flade and Kamosiński, 2021, p. 167; Friedrich et al., 2024, p. 422.

123 Flade and Kamosiński, 2021, p. 171.

take equity stakes in private firms, acting as a limited partner while the original owners retained unlimited liability. Introduced in 1956, this arrangement offered entrepreneurs access to capital, materials, and markets and subjected firms to simplified planning, thereby maintaining ideological control while preserving a measure of private initiative. By the early 1960s, such companies had become an important part of the economy.¹²⁴

The near-total nationalization of economic life in the GDR occurred in 1972 following Erich Honecker’s (1912–1994) rise to leadership. Between February and May of that year, the state increased its share of the industrial sector from 88.8% to 99.9%, affecting around 11,000 semi-state-owned and private firms as well as craft cooperatives, bringing nearly 600,000 employees under state control. This campaign effectively completed the nationalization of the industrial sector, although a small number of craft, retail, and state-participation companies remained. With this step, the GDR aligned itself with other Eastern Bloc countries, such as Romania and Hungary, in using nationalization as a central tool for transforming the national economy.¹²⁵

6. Concluding Remarks

Marx, Engels, and their followers expected the abolition of private property to bring about the end of exploitation and the liberation of the working class.¹²⁶ The primary instrument to achieve this was nationalization. To understand Soviet-type nationalization, however, one must also be familiar with the Soviet reinterpretation of the concept of law. In classical Marxist thought, law in capitalist societies was seen merely as a tool of bourgeois oppression, destined to ‘wither away’ along with the state and religion in the utopian, classless communist society. Lenin, trained as a lawyer, inverted this argument: in the proletarian state, law would instead be put into the hands of the working class, allowing the exploited to turn the instruments of coercion against the exploiters.¹²⁷ The inherent axiological content of law was thus radically transformed: instead of balancing private and public interests, it came to prioritize the primacy of public interests over the private interests of individuals. Nationalization in the Soviet Union, and later in Eastern Europe, must therefore be understood through this lens – not simply as an economic measure but as a political weapon of class struggle.

124 Flade and Kamosiński, 2021, pp. 169–171.

125 Flade and Kamosiński, 2021, pp. 172–173. For an analysis of the wounds left behind by the nationalization process in reunified Germany, see Ranieri, 1999, pp. 189–216.; Böick, 2020, pp. 143–154.

126 Horváth, 2024, p. 657.

127 Gorlizki, 2018, p. 1100.

In contrast to this theory and practice, one of the most important Hungarian legal scholars of the 20th century, István Bibó, criticized both the theoretical assumptions and practical implementation of nationalization. He argued that simply transferring the means of production into public ownership does not automatically eliminate exploitation. For Bibó, genuine freedom and the prevention of exploitation require robust, continuously functioning institutions of liberty that constrain arbitrary power and protect individual rights.¹²⁸

The present study has sought to demonstrate that the nationalization processes in the three countries under scrutiny – above all in Hungary and Romania – closely mirrored those implemented in the Soviet Union following the October Revolution. Almost identical measures were enacted in a broadly similar sequence, reflecting the extent of Soviet supervision and influence. In the field of assets regarded as means of production and exchange, the pattern began with land reform, followed by the nationalization of banks, coal mines, and railways. These were succeeded by the takeover of the largest industrial enterprises (identified on the basis of criteria such as workforce size, production capacity, or explicit designation) as well as the insurance sector, alongside the establishment of a state monopoly over foreign trade. In a second phase, the remaining smaller enterprises (generally those employing fewer than ten workers) were nationalized, together with pharmacies, private healthcare institutions, and cultural institutions such as theatres and cinemas.

Confiscation extended beyond the means of production and exchange to other assets, depending on whether they were deemed to belong to ‘objective enemies’ of the dictatorial regimes. Properties of former collaborators and Nazi sympathizers were among the first to be seized, while the houses of the so-called ‘exploiting classes’ were later subjected to nationalization as well. Following the Soviet precedent, and building on the framework of general nationalization laws, churches were first deprived of their educational institutions, which were absorbed into the state’s unified school system. This was followed by the banning of certain churches and monastic orders.

Other recurring features across all three countries include the frequent use of retroactive legislation and the promise – never fulfilled – of compensation for early nationalizations. Given the complete subordination of the judiciary to the party-state, the possible application of the Radbruch formula¹²⁹ (which

128 Bibó, 1986, pp. 66–68.

129 The Radbruch formula, coined by Gustav Radbruch in 1946 after the fall of the Nazi regime, was his response to the atrocities committed under laws that were formally valid but morally abhorrent. Radbruch, who had earlier defended legal positivism, revised his position to argue that positive law must yield to justice when the contradiction between law and justice becomes intolerable – meaning that extreme injustice or the denial of equality before the law strips a law of its legal character.

argued that a judge may refuse to apply an intolerably unjust law) was rendered impossible, as the Romanian case illustrates most clearly.

At the same time, the three states also displayed significant particularities in their legal techniques. In Hungary, the initial state management of certain important enterprises was later substituted for a total takeover. Also in Hungary, nationalization generally targeted company shares or corporate ownership rights (where these existed) before extending to direct asset confiscation. Elsewhere, by contrast, assets themselves were the primary target. Hungary also pursued a step-by-step approach, with numerous smaller nationalization laws culminating in a general nationalization act. Romania followed the reverse order, beginning with a general act and subsequently issuing narrower decrees, yet ultimately achieving the same dismantling of the private sector, with the final wave of nationalizations taking place in both countries in 1952–1953 (excluding the total collectivization of agriculture). The situation of the GDR was distinct in the light of its international context. Immediately after the Second World War, enterprises could be directly confiscated by the Red Army and reorganized more rapidly. Although the private sector was reduced, it retained a more visible role in the East German economy than in Hungary or Romania, and later reforms even reinforced its limited position. However, the nationalization process in the GDR did not end with the immediate post-war measures but continued with a second large-scale campaign in 1972, which ultimately achieved the same result as in Hungary and Romania: the complete elimination of the private sector from the national economy.

Yet, in practice, the attack on private property was not motivated by ideals of rational economic management or genuine social justice. Rather, it served the self-interest of the new dictatorial regimes.¹³⁰ By monopolizing the ownership of the means of production and concentrating economic planning exclusively in the hands of central authorities, the state eliminated any possibility of free trade or entrepreneurial decision-making.¹³¹ As János Kornai later observed, this system inevitably gave rise to '*shortage economies*'.¹³² More fundamentally, nationalization extended beyond production to encompass other forms of property as well, undermining private ownership as a whole. Since private property is a prerequisite for exercising many other civil liberties – because its recognition places limits on arbitrary power –, its abolition paved the way for the establishment of fully totalitarian regimes.

130 Horváth, 2024, pp. 477–478.

131 Flade and Kamosiński, 2021, p. 165.

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