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то	: THE DEPARTMENT OF STATE, WASHING	OL TOWN
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SUBJECT:	Particular Manhanet resetton to deretioning	Charles FR
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***	The negative public reaction to the deration	ning resolution of December 25
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1954 appears to have resulted in open protest by he teast one important works group. The story is circulating in Basharest today that the employees of the Rumanian Railroad (Cails Ferate Roman, or CER) are demanding to see Cheorghe Gheorghiu-Dej to protest the decree.

The story is so widespread that it is believed that there must be some truth to it - although to what extent it has been parbled and distorted in the telling cannot be estimated. It is known that the railroad workers are at least as discontented as any other group of workers in the country and, because of t their mobility, know more about national conditions and are more able to maintaincontacts among themselves than any other large occupational group. O

At any rate, the version heard most often is that the railroad workers have () asked to see Gheorghiu-Dej in order to demand that their salaries be increased in proportion to the price increases resulting from derationing. The slight increases granted by the Resolution of December 26 are not considered sufficient. They have appealed to Gheorghius Dej personally because of his past history as a militant Communist railroad worker. Some versions of the story mantion action by the CFR union but, since the union is nothing but an arm of the Communist regime, there appears to be little truth in this.

Such requests by workers for increased pay could be very embarrassing to the government. Derationing was, in a sense, forced on the regime because of its inability to maintain supplies of rationed goods at the low rationed prices. The increases in prices were intended (in part) to reduce the purchasing power of the urban population in order to bring the situation under control. If wages and salaries can be kept low it might be possible to keep the drift toward inflation down to a slow speed. But once any large group got an across-theboard pay increase inflation would quickly get out of control. For this reason, it is not expected that the railroad workers' demends will result in anything more than silence on the part of the regime - and perhaps a few arrests.

The pressure for wage increases will go on however, and if the price rises associated with derationing prove a great enough disincentive to adversely

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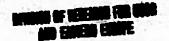
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affect production, the efforts of the regime to curb inflation will prove unsuccessful. Pressure on industrial managers to maintain production in the face of these demands may even result in their pushing vages up in a haphasard, extra-legal way. This would accomplish gradually what the regime seeks to avoid doing suddenly.

Along with the railroad workers! then, the residents of bunkarest continue to circulate stories indicating a small for of the money that they repeat, with credence, stories to the effect that informal private contracts are now being made in terms of sugar. That is, I the private conformal of work done in the "private sector" is a small is and it is made that payment will be made "after currency reform in the amount of sugar which will buy the amount of sugar agreed on. The there is a great reluctance to hold on to currency and a new currency reform is expected.

It seems probable that there will be a new our energy reform at some time in the future but, if only because the last one was a recent (1952), it is believed that the regime will do all in its power to avoid the next one. Essentially, a currency reform is only a formal confiscation of excess purchasing power which has accumulated due to the difference between that is produced in the country and what goes to the population in the form of consumer goods. The regime would prefer to keep this confiscation informal and covered by the difference between wages and prices. Since it has neither the control over its foreign trade, the cooperation of its people nor the financial skill to manage this indefinitely it may be forced, sooner or later, to repudiate its currency. But it will try to avoid this step as long as possible.

Richard Funkhouser Charge d'Affaires a.i.



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