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CONTENTS

DEVELOPMENTS IN COLOR TELEVISION BROADCASTING

Tirana BASHKIMI in Albanian 7 Mar 83 p 1

[Article: "The Current Situation and Future Prospects for Our Television"]

[Excerpts] The editors of our newspaper have received letters from readers who would like to know about the current situation and future plans for our television broadcasting. Our editor had a conversation on this subject with Vladimir Shpuza, technical engineer of this institution [Albanian Television], who gave us the following information:

The history of Albanian Televsiion began in 1959 when some television equipment was set up in Radio Tirana, in its old building. For several years, experimental work was carried on with limited and irregular schedules.

The beginning of regular programming coincided with the 6th party congress in November 1971, whose proceedings were transmitted, in their entirety, by television. In comparison with 1971, the number of hours of broadcasts has doubled and the range of broadcasts has been expanded extensively. In 1971 we had only one station while now we have an entire system of powerful stations and dozens of television relays.

The technical quality of studios and transmitters has been improved considerably during the past 11 years and, in particular, their stability has been improved. Interruptions of transmissions for technical reasons are minimal and amount to only a few minutes a year. The increase in the stability and the technical quality is linked to the rise in the scientific and technical level of the specialists and workers and the modernization of television technology. Even though there was a lack of experience, through work and effort, our television formed its national character. This illustrates the great concern of the party for this important system of propaganda which exerts a strong influence on the education and mobilization of the working masses.

The great majority of our workers did not have the necessary experience. During this period much work was required for them to assimilate the new technology of black and white television and for various installation projects, for television vans, for the construction of vertical cameras which are used in the transmission of still images, for the construction of television relays to cover the country, as well as various cables linking some points in Tirana with the television center, which has facilitated the process of recording and transmitting directly from these points.

Various direct transmissions of sports activities, festivals, and congresses have been executed with good quality. At present we do not broadcast directly from other cities of thecountry but such transmissions will be made in the near future, with the construction of television studios connected with the central studio in Tirana by means of radio-relays, which are both receivers and transmitters and which operate on very short waves.

During the Seventh Five-Year Plan the transmission of color television broadcasts will begin. Some of these broadcasts have been executed and continue to be executed on an experimental basis. Detailed theoretical and technical studies have been made for the purpose of executing this important task. Our specialists have begun to install the new color television apparatus and soon this installation will be completed. By means of mobile television studios (television vans) we are currently transmitting in color and recording various broadcasts. Also, with the use of new television film equipment which we have installed, we are transmitting various films from our television or from the film studio, as well as foreign films in color. Also, we are working on changing technical environments and providing air conditioning and lighting equipment for the studios in accordance with the technological requirements of the new technology. With its own forces, the technical and engineering collective of television, in addition to installing new equipment, will equip for color the existing magnetoscopes and the old television vans.

When the new apparatus has been installed some 70-80 percent of our transmissions will be in color and one year later, 100 percent of the transmissions will be in color.

Nevertheless, the many black and white programs, which are in the archives, preserve their great historic importance and their value increases as the years go by. Even in the future, when we transmit only in color, there will be occasions when we will look with great satisfaction at the earlier black and white programs.

Black and white films and programs can also be transmitted on color televisions sets. On 1 November 1981 we began to transmit a number of programs in color.

CSO: 2100/39

PARTY'S ECONOMIC CONSULTANTS ON REFORM'S STATUS, PERSPECTIVES

Editors' Introduction

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 p 50

[Text] In May of 1966, the MSZMP Central Committee adopted a resolution on perfecting the system of economic management. Practical implementation of the economic reform or "new mechanism" occurred exactly 15 years ago, in January of 1968. During the 15 years of its existence, the economic reform has enriched us with vast social, economic and political experience. In view of the round figure of this anniversary, and also because of the work that is under way to further perfect the system of economic management, we have deemed it timely to request the eight members of the staff of consultants attached to the Economic Policy Committee to present their views in our journal on a few questions of fundamental importance related to this topic.

We requested answers to the following questions:

1. On the basis of the experience gained during the past 15 years or so, how do you rate the relationship between economic policy and the practice of economic management, and the interactions between the individual elements of economic management, namely planning, regulation, and the system of institutions and organizations?

2. Starting out from the preceding question, what do you regard as necessary so that the system of management may best serve our economic policy objectives, taking into consideration also the altered external and domestic conditions?

3. In your opinion, do the basic principles of reforming economic management that were formulated in 1968 provide a suitable framework for the system's further perfection that is deemed necessary?

The editors of TARSADALMI SZEMLE are publishing the received answers so that readers may have an opportunity to acquaint themselves with the issues that are in the center of debate, with the different views and individual standpoints. For this collection of interviews clearly illustrates that the questions of economic management can be regarded from necessarily many different points of view. Obviously, elaboration of the ideas on the comprehensive further development of the system of economic management will still require a considerable amount of work by the state, scientific, trade-union and party organs concerned with this task.

Frigyes Berecz Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 50-55

[Text] In terms of its principal objectives--the constant and significant rise of social productivity, and constant improvement of the living standard--economic policy since 1957 may be regarded as constant in a very general sense. The fact that at present, and for a few more years, we can at best strive to maintain the standard of living amidst the significantly worsening external economic conditions does not contradict this statement. But on the basis of our experience over a quarter of a century, we now clearly see that the period of transition to the complete construction of socialism will be much longer, and the realization of our objective will be more complicated, than what we assumed in 1957. Commodity and money relations will long remain decisive in the socialist economy, and their effect is much more profound than we imagined a few decades ago.

Economic management did not prove as constant as economic policy. This can be attributed mostly to conscious decision, because in May of 1966 the Central Committee decided to reform the system of economic management specifically for the more effective and faster realization of economic policy's unaltered principal objectives. There occurred, however, also changes that were triggered by unforeseen external economic events and by efforts to contain those consequences of the economic reform that were judged undesirable.

The long-range and intermediate-range plans usually contain all the economic policy objectives that are to be achieved in the given period. In recent years, however, fulfillment of the annual plan has been lagging--cumulatively and to an ever-greater extent--behind the objectives of the intermediate-range and long-range plans, and hence also behind the objectives of economic policy. The reasons for this must be sought in unforeseen external economic changes unfavorable from our point of view, in the not sufficiently rapid development of the economic units' activity (or in the absence of such development), and to a certain extent also in the imperfections of intermediate-range and long-range economic planning.

The second important element of the system of management is regulation. In my opinion, the main problem is not that in some instances, instead of regulation, directives and administrative restrictions are "shepherding" the economic units' activity. The state (even under the conditions of a capitalist economy) is forced to intervene from time to time in the enterprises' operations. Most enterprise managers understand this: in a given situation, under the pressure of the circumstances, the state might be compelled to temporarily steer economic activity along a course that is the opposite of the one leading to the long-range objective. Such a contradiction exists at present, for example, between the need for greater differentiation of earnings in accordance with performance and ability on the one hand, and the recent measures that narrow actual income differences on the other. But it really is a problem if the financial and economic regulators are modified without due circumspection, on the basis of principles that are not sufficiently mature, out of impatience with waiting for the anticipated effects, or in an attempt to exercise narrow-minded branch management, or if the modifications become administrative interference for the above reasons. This compels the economic units to seek ways in which they can circumvent the modification, and regulation is forced to retreat sooner or later. Neither case serves our purpose.

So far as economic management's system of institutions and organizations is concerned, I believe that with the changes introduced during the past 2 or 3 years this system better meets the requirements of the system of management than it did previously, during the decades of no change. The changes are more extensive at the state managing organs than at the enterprises, and more extensive at the enterprises than at R & D institutions. However, the changes are still inadequate. Regarding the state managing organs, I think we should start out from the fact that today the economic units (the enterprises and cooperatives) have many branch supervisors but only one owner. It can cause confusion and lead to conflicting management if the enterprises' 10 or 12 branch supervisors also act as owners and occasionally try to assert different or conflicting considerations of ownership. We can only agree with the efforts to define supervising authority and the owner's authority without any overlapping (or gaps) between the two. But we must carefully weigh what new organizations to set up, and with what authority, to exercise the functions of the state as owner.

Concerning the economic units, one can only welcome the new types of small business organizations. I do not share the view that we are at the start of a "contest" between big and small businesses. There are technical tasks--for example, power plant construction, building locomotives, steelmaking or the production of telecommunications equipment--that the small companies will never be able to develop and carry out. Such tasks require the concentration of considerable brainpower and financial resources. The large enterprise or trust has been and will remain the only viable organizational form for such tasks. But I am convinced that a substantial proportion of the parts, subassemblies, production tools and services necessary for these complicated technical products can be developed and produced more economically and better at independent economic units with a smaller work force than at the supply departments of the large enterprises. Likewise competition among suppliers, which the large enterprises desire so fervently, can develop sooner among small businesses, or only in this manner. We can best find the most suitable organizational forms for the various technical and economic tasks if these organizational forms are allowed to function in many different ways, while retaining the basic influence of social ownership. We come to the same conclusion also from an analysis of the tasks intended to solve the continuous and good supply of the population's needs.

The organizational changes at R & D institutions have moved the cause of economical research and development in the right direction. But a task that unquestionably has yet to be solved is that the reverting share of profit on sales of products resulting from successful research and development projects must support each institution, including its unsuccessful R & D projects.

To achieve lasting harmony between the system of economic management and the objectives of economic policy, the individual elements of the system of management must be perfected further and mutually coordinated.

How Can the System of Management Better Serve Our Economic Policy Objectives?

As the main purpose of the system of economic management I unalterably regard the promotion of development that approximates the principal objectives of economic policy as effectively as possible and within the shortest time possible. The altered external and domestic conditions only make the solution of this task the more urgent and occasionally require also temporary special regulation.

The management of economic policy has already placed on the agenda one of the most important tasks: the solution of full and efficient employment, which at first glance seem contradictory. I believe we are able to act boldly, since there is no threat of unemployment. More efficient work by employees of the economic units will obviously create a certain manpower surplus "within the gates," but this "surplus" (for which the "redundant" worker himself usually cannot be blamed) can immediately find work in areas where an increase in personnel is truly necessary. The shortages in certain trades would cease, and vacancies could be filled. This process would be accompanied by another desirable change: readjustment could begin to basic-wage ratios that take into consideration the difficulty and complexity of a work assignment, and the skill required for its performance, and which also would meet with public approval.

Both processes, the filling of vacancies and the readjustment of wage ratios, are readily measurable. And since these are processes which will take years, it would be possible to recognize in due time when we were approaching real unemployment. Regulation, I believe, would have to halt the process before this critical point.

How the economic units can be "forced" to make their employees work more effectively, of course, is not a simple question.

In my opinion, the system of wage regulation introduced as of 1 January 1983 is providing stimulation in the right direction. But it is necessary to go further. In addition to the wages than can be earned by increasing the indicator, also the component of wage increase derived from savings of manpower should exert an increasing effect year by year on wages, and the regulator should make this possible. This would require special regulation, but I think it could be solved in the following manner. Regulation would have to distinguish whether a given wage fund stems from savings of manpower achieved through development from the previously loose organization to a higher level of organization that can be expected even under the conditions in Hungary, or to an even higher level or organization that is comparable to the world level. In the first case the state budget would withdraw the wage fund, partially or entirely. In the second case the enterprise would retain the wage fund and use it, without any restrictions, to increase the income of its remaining workers. There are, of course, also certain preconditions for such regulation: for every enterprise it would be necessary to elaborate the criterion of effectiveness that is above average under the present conditions in Hungary and comparable with the world level. Because of the large number of economic units, this is a difficult task. But it could be solved since the criterion has to be elaborated for a finite number of enterprises, respectively sectors.

Another important requirement that economic management must meet is that it must make planning more certain for the economic units, while at the same time retaining the flexibility of planning and management. This seems to be a conflicting requirement. In my opinion, however, it can be solved or at least closely approximated.

What the enterprises object to the most, and what--they claim--makes enterprise planning entirely unpredictable, is the changing of the instruments of regulation--of the foreign exchange multipliers, taxes, charges, etc.--during the year.

What does practice show? If we plot a diagram of the changes that were made from time to time over a period of several years, we find that these changes, individually and in their combined effect, "shepherded" the economic units --logically and predictably--toward more effective economic activity. Many enterprises have recognized the trend of these changes and, by extending (extrapolating) the trend at their own risk, are taking the changes into consideration in the course of preparing their intermediate-range and long-range plans.

This leads to the following question: What would happen if occasional regulation were replaced by announcing in advance--say, for the period of the 7th Five-Year Plan--the trends that state planning regards as probable, whereby controlled dynamic series would be used as instruments of regulation, instead of static data? Of course, it would not be possible to guarantee that these dynamic series would remain unchanged during the period of an intermediate-range plan. If significant differences arise between the trends and economic reality, occasional modifications of regulation would be unavoidable. Under such planning, however, probably fewer ad hoc interventions would be necessary, and thus the economic units' planning also would become more certain and dependable. This would offer a great advantage: the economic units would uncover their reserves more boldly and thoroughly.

Another task that I regard as one which must be solved in the course of perfecting the system of management is exact definition of the objective that regulation hopes to achieve. It happened in the past, and it sometimes happens even today, that regulation monitors and responds to only the surface of undesirable economic phenomena, whereas more careful analysis could uncover also the underlying causes of the undesirable superficial phenomena. I think that regulation should influence specifically the causes, and not merely the effects. At most it would be possible to influence through regulation the undesirable superficial phenomena only temporarily, clearly recognizing that the phenomena are effects and not the causes.

An example to illustrate this statement. In the present stage of our development, excessive capitalist import used in economic activity is an undesirable burden. Since the middle of last year, therefore, regulation "penalizes" such import with a surtax, over and above the regular customs duty. But this "penalty" is warranted only in some cases, where materials or parts produced at home or imported from socialist countries can be substituted for the capitalist import. But if the possibility of such substitution does not exist, and the given materials or parts are necessary for manufacturing industry to be competitive, then the underlying cause, the one which should be sanctioned, is that some enterprise (in a supplier industry) has neglected its product development, or there is no enterprise that can ensure import substitution. In neither case is the answer acceptable that manufacturing should refrain from the development of products for which a domestic or accessible socialist supplier industry is lacking. For in this case the list of final products with which Hungarian industry is able to compete would become extremely short. Hence there is no other solution than to let regulation compel--through suitable regulators or even direct intervention--the faster development of the supplier industry, not only in terms of technological level, but also from the viewpoint of quantity.

Finally, I would like to mention one more problem in conjunction with economic management: the occasionally nonnormative practical application of regulation that in principle is normative. Normativity is intended to promote differentiation of the situation of efficient and inefficient economic units, which is a sound economic policy objective. But differentiation is limited, and the development of the efficient economic units is held back, when regulation responds to an undesirable economic phenomenon with a regulator change tailored to the average or the least efficient economic unit, which is then applied uniformly to all economic units.

This, too, can be illustrated on an example: At the beginning of 1982, many enterprises gave their employees unsubstantiated wage increases, jeopardizing thereby the balance of the supply of goods and purchasing power. But other enterprises complied with the regulations and did not grant wage increases ahead of time or wage increases that exceeded the rise in productivity. The measure that was introduced--a uniform reduction of the available wage reserve--lumped together the "good" and the "bad" economic units, the disciplined and indisciplined ones, whereas it would have been possible to find a normative solution that compares the proportion of the enterprises' economical output of goods with the rate of the wage increases they granted. In terms of overall impact, this solution would have meant the same necessary and warranted constriction of purchasing power as under the uniform--but nondifferentiated--regulator modification.

Basic Principles of 1968 Reform Still Valid

Practical implementation of the economic reform began in 1968; the Central Committee formulated its basic principles in its resolution of May 1966.

The Central Committee resolution recognized more than 15 years ago the need for reform, and the reasons that made the reform urgent and are making themselves felt with full force in recent years: exhaustion of the reserves for extensive growth, and the inevitability of switching to intensive growth based on uncovering the internal reserves. As one instrument for achieving this--and also as a basic political objective--the resolution identified the unfolding of the spontaneous activity and initiative of individual workers and their collectives, their participation in management, and also making them economically more interested in the efficient operation of their immediate collective, and hence also of the national economy. The measures proposed in the interest of achieving this objective included decentralization and democratization of the decision-making mechanism; stimulation of economical production geared to market demand; restoration and maintenance of the balance of supply and demand; and transformation of the system of management by planning directives, into indirect management by means of financial and economic regulators.

If we recall all this from a distance of a decade and a half and compare it with our present problems and tasks, we may say with full responsibility that the basic principles formulated then are still valid even today and provide an adequate policy foundation for the further perfection of the system of economic management now on the agenda.

The system of economic management introduced in 1968 aroused also various concerns and fears during the past 15 years. One such fear was that the reform would have an unfavorable effect on the working class and on workers in large-scale industry in particular, worsening their situation.

I am convinced that a prerequisite for the stability of our social system is a working class that is satisfied with its living conditions, is able to identify with the objectives of the nation and of the immediate collectives and aids the realization of these objectives by working enthusiastically and to the best of its ability. Working at a large enterprise, however, I know that most workers are not demanding that we improve their situation by more than what they deserve and what we are able to afford, through wage and social-policy measures whose coverage is produced by others elsewhere. They are confident in their own abilities and claim with conviction that, if suitable conditions are created for their work, they will be able to attain a level of production such that its results will be enough to improve their own living conditions and also to finance the development of their enterprises.

Therefore, in my opinion, we must consistently proceed to the end of the path chosen in 1966 and begun in 1968. We must not be alarmed by the unfolding differences in performance, because this is specifically what we are aiming for. This could be one of the means that will enable our economic growth to climb again.

The situation of workers in collectives producing above-average results improves from the direct results of their labor. For the less efficient collectives, on the other hand, we must ensure an opportunity to improve their working conditions through their own efforts, and not through income supplements withdrawn from elsewhere. And if everything else fails, we must guarantee them the right to freely choose their place of employment, at more efficient enterprises.

Public opinion has developed much during the past 15 years. The overwhelming majority of the people are not only interested in economic issues, but also understand them better and better. And if by frankly presenting the economic situation, and by carefully and understandably defining the tasks at the workplaces, we make it clear to everyone what he must do in the interest of a new and sustained economic recovery, we may be confident that useful activity for the realization of this objective will become a common cause and will be crowned with success.

Jozsef Bognar Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 55-60

[Text] Establishment of the staff of consultants reflects the political leadership's deliberate and decisive efforts to reform economic management. The reform of economic management must not only be comprehensive and far-reaching, but also consistent (coherent). Consistency in this case means that we regard the various types of changes that are being introduced as mutually influencing elements of a functioning and effect-producing economic system; in other words, that we minimize the contradictions that are independent of the conditions.

Consistency does not and cannot mean the elimination of the contradictions that stem from the evolved interest relations, existing structures or various effects of individual factors.

Naturally, the elaboration of a comprehensive, far-reaching and consistent reform--which presupposes also the confrontation of divergent views and alternatives of action--cannot be the task of a single body. Therefore it is gratifying to note also in retrospect that scientific research and economic-policy investigations for the elaboration of individual partial concepts have been going for years, at the request of the state or science-policy organs or commissioned by them. Such partial concepts have already been debated on several occasions before various economic forums, and certain individual ideas have been expounded also on the pages of economic publications.

After the presentation of the differing concepts and divergent personal opinions--which I for one regard as very useful--we obviously must strive to formulate a synthesis that starts out from action. For in the case of action synthesis, the real conditions, interests and situations constitute the limits of reasonable action; in other words, we must start out not from the ideal, but from the feasible. Action, and the conditions under which we must act are mutually dependent; i.e., ideally optimal action is possible only under ideally optimal conditions. Thus thorough analysis of action's set of conditions is necessary in every case, but it is not sufficient; the set of consequences resulting from the various alternatives of action also must be weighed. For the various alternatives evoke different reactions from the interested parties (within and outside the economy), and these actions form the processes that characterize economic reality. The very best efforts and most noble intentions can fail, or even have adverse consequences, if individuals, economic units or specifically the international economic environment responds indifferently or inimically to our various decisions.

By referring to the character, nature and interrelations of action synthesis, I wanted to convey that the task and responsibility of the staff of consultants extends not only to summarizing or forging together the various proposals, ideas and partial concepts. The staff must find the feasible course of action and foresee its set of consequences, under conditions when contradictions exist not only between the economic possibilities and society's demands, but also within the economy; between the aspirations embodied in the concepts of reform on the one hand, and the fact of domestic and external disequilibrium.

Regardless of how serious the complications in the set of conditions in the given situation, and no matter how great the risks of possible action, sensible action can no longer be delayed! Failure to act would be fatal, because all the results of the Hungarian economy to date would be jeopardized. For it is obvious that in the present serious crisis of the world economy, every national economy is fighting for its survival, future and for improving its world position. In this murderous competition, the country that is unable to act or unwilling to assume the risks of action might find itself, within an amazingly short time, among the countries left behind.

Reform an Expedient Method of Development for the Socialist Economy and Society

I find it reassuring that socialist society and the socialist economy, by elaborating and introducing an economic and management reform, have chosen for their development and progress the most expedient method (form) that has proven very suitable in our country so far. For the only alternative to reform in a dynamically changing world would be "permanent revolution" or periodic social upheavals. But the practice of permanent revolution has set back for a long time even such a huge country, with a great cultural heritage, enormous economic potential and with such a tolerant people and society, as the People's Republic of China.

And postponement, circumvention or obstruction of necessary reforms would lead sooner or later to social upheavals and economic crises of the kind that we have witnessed the most recently in Poland.

Its structure makes socialist society especially suitable for basing its progress on reforms, in addition to continuous economic and political decisions. Of course, to decide on, elaborate and introduce reforms that affect the entire functioning of society and the economy requires not only foresight and creative invention, but also flexibility. We must also bear in mind that a reform, by regrouping certain economic assets and decision-making competences, alters the relations of power within the given social system; and by transforming the interest relations, it significantly changes the income relations. Therefore the sociopolitical balance becomes significantly more sensitive when comprehensive reforms are introduced.

If we regard reform as an expedient and sensible method that ensures the progress of socialist society and the socialist economy, we must devote special attention to the relationship between various reforms and public opinion. Extreme views are still common in this respect. Some people fear that reform jeopardizes society's stability and identity. Others believe that a reform rids us for a long time of the problem of taking action, because the solutions will be valid for decades. Naturally, a reform always has certain principal ideas that will be valid for decades. For example, the inevitability of adjusting to the world market, the growing importance of the external economic factor, etc. But the specific content of adjustment and its set of actions will be functions of various situation that will develop in the future. In the course of introducing reforms, therefore, it is necessary to create structures and organizations that, by virtue of their flexibility, will be able to adjust to the changing possibilities and to suitably link their system of interests with the interests of the national economy.

Continuity of Reform, Radical Transformation of Conditions

In our present situation, an integral part of explaining the role and nature of reform is also the clarification of the relationship between the present reform efforts and the 1968 reform of economic management. Clarification of this relationship is warranted also because reforms are linked not only to a given socioeconomic situation, but also to the preceding reform. Indeed, real continuity of reforms means their linkage to the previous reforms.

Many people ask why a new economic reform is necessary when we already introduced one in 1968.

I would like to emphasize that the present reform efforts truly represent a continuation of the 1968 reform. It is necessary to point this out also because the 1968 reform was arrested in the first half of the 1970's, and thus it has never been fully introduced. The initiators and architects of the 1968 reform had conceived it as a reform in several stages; its second and third stages were to extend also to the economic-policy, institutional and external economic factors (or vectors). As a synthesized system of action, the 1968 reform started out from the possible, and not from the ideal. Theoretically, and even on the basis of purely economic interrelations, also a better reform could have been designed. After weighing the social situation, the relations of power and interests, and the international interrelations, however, the reform's architects felt that national consensus at that time would not have accepted anything more. Perhaps there are some people who today believe that this decision was not sufficiently "bold"; we frequently encounter such comments and views in professional publications, and sometimes even in other papers. But such comments and views would have credence only if the critics' judgment had been preceded by a profound analysis of the state of Hungarian society in 1966 and 1967, and by careful examination of the international interrelations since 1968.

Although the continuity of today's reform efforts unquestionably exists in relation to 1968, we must undertake their implementation under radically changed conditions. Among these radical changes, I would like to call attention especially to two: the economic disequilibrium, and the profound transformation of the external economic factor and the world economy's environment.

The disequilibrium and the very slow economic growth are in themselves a serious problem, because the reform has to be introduced in a quantitatively stagnating economy that is struggling with a shortage of capital. The improvement of quality, structural change, the reduction of inputs, development of services and expansion of export would all require more stimulation, but the necessary financial resources are hardly available. But even under these more difficult conditions we must find the ways and means for further progress, because entrepreneurial willingness and boldness are necessary to cure the organic causes of disequilibrium. This is why selectivity is of decisive importance in economic policy. But up to now society's reflexes, and the compromises in the sphere of economic policy decisions, have always prevented the development of such selectivity.

The world economy's set of conditions, and the Hungarian economy's external economic situation have undergone dramatic changes in comparison with 1968. Not only the foreign debt and the balance-of-payments situation are causing serious problems, but also the expansion of economical export in stagnating world trade. The sudden changes in prices and exchange rate, the development of the terms of trade, the international monetary system's serious crisis, and the system of mutual interdependence that has evolved in the international economy, in combination with serious political tensions and the arms race, have made extremely difficult the situation of the national economies that are sensitive to international cooperation. In a period of such crisis and rearrangement of the world economy, it is obviously not enough to ensure priority for export within the domestic economy; an active trade and monetary policy, and a radical transformation of foreign-trade relations and international marketing also are urgently necessary.

I have referred with emphasis to the disequilibrium and its consequences not only to illustrate the differences between the 1968 reform and the realization (introduction) of the present reform concepts, but also to avoid certain probable misunderstandings. For in practice and public awareness, the evolving unfavorable situations and the actions aimed at eliminating them are often intermixed. It is a familiar phenomenon, not only when social systems change but also when policies change under the same social system, that the effects of political and economic actions manifest themselves with a certain time lag (of 2 to 4 years). Every new course must first contend with the situation created by the previous course. Disequilibrium is not a part (or accessory) of the economic reform, and it is not the reform's result. To the contrary, one of the reform's main objectives is to eliminate the organic causes of disequilibrium. Due to the continuity of the economic processes, of course, the existing (specific) disequilibrium remains the environment and limit of every action and decision, until equilibrium is restored.

Economic disequilibrium, which is customarily regarded as a typical dysfunctioning of the economy, is not simply an economic problem but a sociopolitical one as well. In particular, disequilibrium has two main causes: one is that inputs are intolerably high in comparison with the output; the other is "overspending" in the expenditure of national income.

Low efficiency (high inupt) is inseparably linked to the economy's "social environment"; in other words, to the set of conditions under which an activity can be conducted within the given social system. In the first period of its development, socialist society was only partially able--for reasons we do not wish to examine in detail on this occasion--to let the economy set its own growth rate. During the past 15 years and also in the coming period, therefore, we have had or will have to find such frameworks and forms that enable this growth rate to unfold more completely within socialist society.

"Overspending" in the expenditure of national income stems from society's wanting to realize simultaneously greater, more or more contradictory objectives than what it can afford in the given period. This in its turn can be traced to the fact that society or its decision-making organs have not yet recognized in practice the economic limits of state power.

Reforms of economic management are, in this sense, proof of socialist society's capacity for self-cognition and development. To wit, the effectiveness of social and economic systems depends not on what the concepts contain before their realization, but on how they are able to utilize or organically develop the real conditions for the realization of feasible objectives.

However, the past (the earlier views and assumption) is present not only in the concepts and efforts, but also in the structures and interest relations. (This is why it is necessary to reform also the system of institutions and the organizational forms that evolved in the past.)

Amidst the present structures, interest relations and social "propensities," society is "hypersensitive" to changes that affect the existing structures, and is insensitive to changes that decisively influence the economy's development, for external or domestic reasons. Due to this "hypersensitivity," we tend to liquidate or restrict unjustifiably early, by administrative methods, activities that are necessary. And due to the mentioned insensitivity, we tolerate for decades the phenomena associated with unsatisfied demand, or we recognize with delay and procrastination processes of the world economy that determine for decades the new conditions of economic activity.

Reform, System of Values, National Unity

Already in the debates to date the problem has surfaced several times as to how the economic reform ties in with, and what effects it has on: (1) socialist society's fundamental system of values, and (2) the requirement of national unity that is the foundation of our specific political structure.

I concur with those who regard as a decisive condition the preservation of our fundamental system of values and the maintenance of national unity. In addition, however, I would like to point out that a given society's system of values, expressed in society's objectives, aspirations and preferences, cannot be divorced from the economic possibilities and realities. Naturally, society has long-range, conceptual aspirations (objectives), but these must not be pursued excessively, because economically unsubstantiated objectives can be achieved only by administrative methods (mostly through the application of force in its various forms) and only seemingly. On the other hand, I regard democracy and the freedom of individuals and small collectives as one of the cornerstones of the system of values. Furthermore, the system of values is a dynamic concept; for also new values arise from the closer cognition and development of nature and society (in recent years, for example, the value of preserving the environment), and old values fade (the earlier concepts of collectivism as compared with the role of the family) or are placed in a different light (the economic limits of the state's role). And finally there are values that embodied the ideal as the basis of action only in a period that we have left behind.

National unity must not be equated with the social and economic balance of forces that evolves in any given period. In the course of social and economic development it often becomes necessary to shift the points of main effort, and there are constant changes also in the composition (structure) of society. In the end national unity must be and can only be ensured in action (dynamics), and inaction or the postponement of necessary action does not strengthen but undermines national unity. Action becomes particularly important in cases when reform is related to vital questions of the social system and nation, i.e., to their survival and development.

In conclusion I would like to point out once again that only the power able to take the initiative and act at the decisive moment can enjoy solid and lasting authority. Initiative and action are especially important now when inaction, hesitation and delay can lead to a serious economic lag, not only in relation to the capitalist economies but to the rapidly industrializing developing countries as well.

A growing proportion of public opinion expects reforms and is impatient. For in the eyes of those who are striving for reform, the absence of action would be proof that the social system and the nation, in their present structure, are incapable of renewal. The probable consequence of such a conclusion would be that the efforts at reform would strive to force their way outside the present political framework, which would undermine both national unity and social equilibrium.

In the present world situation, action or reform is (or would be) also of great international significance, because our political opponents have long been claiming that socialist society in its present structure is neither able to solve its problems nor to renew itself.

The capitalist world is in a serious, permanent and profound crisis. But in the interest of recovering from this crisis, the capitalist countries have accelerated on an unprecedented scale their technological development and the application of inventions, are perfecting the methods of international trade and marketing, increasing the efficiency of their ventures and streamlining their economic processes. The observations and analyses from which these findings stem are based on facts. But as we very well know, there are also facts to the contrary, such as growing unemployment and persisting stagflation.

Thus it would be a colossal mistake to assume that we can survive and even develop, without "sacrificing" any of our previous ideas and by adapting to the changes only slowly and with delay.

Vigorous reform, without any delay, is a prerequisite for keeping the unavoidable sacrifices within tolerable limits, and for future growth instead of a collapse.

Bela Csikos-Nagy Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 60-63

[Text] Much has already been written about the losses we incurred as a result of the sharp rise in the relative prices of energy sources and certain chemicals in the wake of the 1973 and 1979 oil price shocks. Also on a world scale, we belong among the countries whose terms of trade worsened the most, losing about 10 percent of their national incomes.

The unfavorable change in world-market price ratios was accompanied by another serious, if not a more serious, problem. The relative paucity of natural resources in the CEMA countries has been intensifying for nearly two decades. This unquestionably affects our country the most seriously, because we have the highest proportion of imported materials per unit of marginal output. Let us not forget that after World War II until the mid-1960's, parallel with increasing domestic production, the annual increases in imports of energy sources and materials within CEMA (supplying roughly 90 percent of the demand) made increases of 4 to 6 percent possible in national income. We regarded this growth rate as one at which the material bases of overall social and economic development would expand to the desirable extent.

Since earlier our basic assumption was that the import necessary for the expansion of production could be obtained for the most part through CEMA cooperation, we of course strived to adapt the Hungarian economy's export structure to the CEMA countries' needs. During this period, primarily our trade agreements with CEMA countries determined our country's structural policy and, among other things, also the branches of production and sectors in which capacity was to be increased.

Today our economy must operate under essentially different conditions. Today East-West trade already has a structure-regulating role, because we are able to obtain only on the world market or for hard currency a major proportion, about two-thirds, of our demand for industrial raw materials. Although hard-currency import has remained marginal in the case of sources of energy, the basic relationship nevertheless is that successful energy conservation and intentional deceleration of economic growth can only defer our dependence on the world market.

Even by international comparisons, our economy is exceptionally sensitive to foreign trade. The resulting complexity of the economy could remain concealed as long as CEMA was able to ensure practically all the conditions necessary for our development. We are talking about the Hungarian economy's openness since our dependence on the world market increased. Consequently also our export potential can be expanded only within the system of products that can be sold in any market for hard currency. The new situation has raised numerous problems, many elements of which have not been sufficiently clarified as yet, and they include among other things also problems stemming from the fact that our system of management and our training of cadres have been tailored to the requirements of a more or less closed socialist world economic system and are developing accordingly even today.

In terms of its nature, then, the problem confronting us is a twofold one: appreciation of the sources of energy requires adjustment in our production structure and consumption structure, and our increasing dependence on the world market raises problems in conjunction with our system of management. On the one hand, East-West relations must improve so that even within our present production structure we may raise the efficiency of export, including an improvement of the input per unit of foreign exchange earned. On the other hand, we must fund a new growth path, one that will enable us to economically export semi-finished products, industrial goods and food products--within the framework of a changed production structure--in spite of the higher costs of natural resources.

The new economic policy announced by the Revolutionary Worker-Peasant Government in 1957 created conditions favorable for the solution of both problems. The turning point was 1957 in agriculture, and 1968 in the nonagricultural sectors. The change in agriculture was the abolition of compulsory deliveries and the introduction of free agricultural procurement in 1957, followed by a free market for feed in 1970, and completed subsequently by permitting the farms to engage in industrial activity. In the nonagricultural sectors the change in 1968 was the abolition of mandatory plan indicators and the introduction of regulation by means of economic instruments. In harmony with this, the mixed price mechanism became effective, making it possible for the laws of supply and demand to be reflected increasingly in the development of prices. The price mechanism gained new content in 1980, with the introduction of the competitive price system. Since the introduction of the competitive price system, we regard the ability to compete internationally as the yardstick of economic efficiency.

A wide circle of economists, engineers and technicians, scientists and practical experts participated in formulating the new economic policy announced in 1957. The debates were organized by the Economic Commission created for this purpose, and it submitted its reconciled proposals to the Revolutionary Worker-Peasant Government. Scientific debate was revived in the mid-1960's, when the exhaustion of the sources of extensive development and realization of the policy of full employment placed on the agenda the problems of intensive development. This debate was managed directly by the party.

The economic policy formulated in this manner proved exceptionally effective for a long period of time. After the disruptions of 1956, consolidation of the economy was remarkably fast, and a significant role in this was played also by the Soviet Union's financial assistance. The socialist reorganization of agriculture was completed very quickly and, perhaps for the first time in the history of building socialism, in such a way that there was not even a temporary decline in farm production. The socialist reorganization of agriculture marked the starting point of intensive development, which subsequently gained international recognition with the development of industry-type farming methods.

The 1968 economic reform placed new growth factors in operation. The 1967-1974 period may justifiably be called the golden age of the Hungarian economy. What this flattering designation actually wishes to express is the fact that the policy of the party and government was able to synthesize very effectively the requirements of socialist society and the market conditions, within the system of a planned economy. The existence of market conditions stems from the simple fact that we are organizing the economy not on the basis of direct barter but of commodity production.

The question has been raised as to whether our adjustment has been suitable in every respect to the oil price shocks (particularly to the first oil price shock in 1973) on the one hand, and on the other to the requirements stemming from the openness of our economy and our growing dependence on the world market. There have been numerous warranted comments in conjunction with all this, but we have been able to encounter perhaps just as many critical standpoints that are unfounded or, occasionally, misleading.

First of all we should know that response to the first oil price shock was late worldwide. Initially debate centered on whether OPEC's action, which in the autumn of 1973 raised overnight the price of a barrel of crude from 3 to 11 dollars, would hold. In the West a debate went on for years regarding the price level of old and new oil. The lowest price at which marginal oil production or the profitable extraction of petroleum substitutes could start was indicated to be between 7 and 9 dollars a barrel.

Our adjustment to the new situation was late even so, although we were the first among the CEMA countries to adapt to the new price ratios. By about 1975, all but a few of the energy-importing developed capitalist countries restored their external economic equilibrium that had been disrupted by the more difficult conditions. In our country, however, this occurred only around 1980.

A more serious situation arose in the wake of the oil price shock of 1979, although since then we have been importing oil practically only from the Soviet Union, and the price of oil purchased within CEMA for transferable rubles follows the world-market price as a five-year average (in other words, the Hungarian economy will feel the full impact of the gradually increasing burden in 1986). The "shock effect" of the second oil price shock stemmed mostly from the fact that it hit us in the final stage of a process of modernization--and partially of oil-intensive structural change--in which a 1 percentage point increase in production required an increase of about 2 percentage points in energy consumption. Furthermore, it also became evident that a further increase in imports of sources of energy from within CEMA would not be possible. And since the process of modernization could be financed only with foreign loans even before the second oil price shock (until the restoration of external economic equilibrium), economic policy was obliged to change course, for objective reasons. Since 1979, in our economic policy the restoration of external economic equilibrium enjoys priority over growth, and in the domestic expenditure of national income the maintenance of the living standard has priority over investment.

When the 1979 decision was adopted, it still appeared that a change of course in economic policy would enable us to overcome the new difficulties fairly soon. Because of the world economy's recession, however, the expansion of our export to countries outside CEMA encountered unforeseen hardships. The partial credit embargo imposed because of worsening East-West relations compelled us to curb import. In 1982, the Hungarian economy found itself in a crisis. The threat of insolvency arose, including the possibility that we too might have to request a rescheduling of our debts, in the same way as several other countries. We have been able to ward off this threat, which unquestionably is a great success of Hungarian economic policy. At the same time, however, social acceptance of this success obviously cannot be the same as that of the 1968 economic reform, when both the economy and the living standard showed vigorous growth.

The tight curb on economic development and the state measures typical of economic rehabilitation have created a social atmosphere that readily lends credence to views which place emphases on shortcomings in managerial ability, rather than on the magnitude of the problems, creating the impression that embarking on a new path of economic growth is merely a question of knowledge and understanding.

All this is not intended to be a standpoint against the criticism that has become very active. The degree of freedom enjoyed by economic research in our country is reassuring and necessary. In such a situation, of course, all kinds of extreme views also are expressed. But any attempt to aggravate this situation and confine debate in advance, by pruning these extreme views, would be disregarding the conditions under which science can be pursued and develop to society's benefit. It would be meaningless if we formulate in advance for scientific research the result that can be obtained only by the means and methods available to science.

But hypotheses and views, especially if we consider them erroneous, cannot go unanswered. The economic policy we are pursuing must be defended and proven in the crossfire of arguments and counterarguments. But this is only one side of the coin. We would be accumulating mistakes if data were classified as confidential too extensively. In the absence of adequate information, important factors that in practice influence party and government policy would be concealed from scientific research. Thereby the party and government would be depriving themselves also of the support that only science is able to provide. As a result, scientific research would become uncertain and too speculative, and--willy-nilly--it would come into conflict with political practice.

Scientific research, and the ensuring of all possible conditions required for research, are necessary also because we can interpret the economic policy of the party and government only as a process of constant renewal. Among these considerations we must take into account also the fact that our country has undertaken a pioneering role in developing the socialist economy's system of management. This requires that we maintain and, if possible, even raise the level of scientific work, under increasing responsibility.

We are living in a period when our system of economic management must be investigated increasingly from the viewpoint of its ability to adjust flexibly to the changing world, and also from the viewpoint of how far society is willing to tolerate such flexible adjustment. Perfection of the economic mechanism can be based only on taking increasingly into consideration the economic laws applicable to commodity production. Systematic analysis of the nature of socialist commodity production and purposeful interpretation of these relations are an area in which it is important to rethink many things. This is why the establishment of the staff of consultants attached to the MSZMP Economic Policy Committee, to coordinate the work and debate on economic management, is so important. In the same way as in the mid-1960's, the party leadership has again taken the initiative and assumed the leading role in investigating the measures necessary to further perfect economic management, in organizing the work in this field, and in evaluating the submitted proposals.

There are growing indications that in 1985 there will be a similar modification of the system of management as the one in 1980. Hopefully, the new modification will further strengthen the resource-allocating function of prices, will create sensible conditions for economic calculations, and will contribute toward the formation of a better institutional system for marketing policy than the present such system.

Kalman Kulcsar Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 64-68

[Text] In relation to economic policy, economic management may be perceived in two dimensions. On the one hand, at least in certain interrelations, economic management participates in the formulation of economic policy. On the other, it implements economic policy. And if economic management is not necessarily a subject of economic policy in the sense that changing economic policy modifies almost automatically the foundations of the mechanism of economic management, a basic change in economic policy nevertheless involves a modification of economic management and even of the economy's entire system of organizations.

Economic policy, economic management, and the economy's entire system of organizations are able to fruitfully function only jointly and if they satisfy each other's requirements and basic principles. The time that has elapsed since the first period of reforming economic management confirms this unambiguously and, regrettably, sometimes in terms of the negative results. It is common knowledge--and perhaps unnecessary to repeat or even refer to here--that a "lag," hesitation and retreat, uncertainties and obstacles in any one of these areas "not only" hamper the functioning of the economy, but have also contributed to the development of our present difficulties. And it is likewise common knowledge--and we nevertheless must dwell on it because it offers important lessons also in our present situation--that these uncertainties, hesitations and occasional retreats have stemmed not only and not primarily from management inexperience following the reform and the uncertainties of science, and in general not always from an analysis and evaluation of how the economy functioned.

This is by no means surprising. Theoretically it has been recognized long ago that in the relationship between economics and politics it is the former that in the final outcome is decisive. But we also know--again more on the theoretical level, specifically since Engels--that policy may take off on a course that is in conflict with the requirements and conditions of the economy; after "detours" and "losses," however, in the end it will be economics that forms also politics in accordance with its own conditions.

In practice, however, there are also other factors that must be taken into consideration. For example, the social consequences of the economy's functioning. Suitable handling of these consequences is, in the final outcome, a question of politics. Furthermore, the constraint of short-term legitimacy--in addition to long-term legitimacy--also stems from the nature of politics. Hence it follows that also short-term consequences (or consequences that manifest themselves already in the short term, but whose permanency is not yet really evident) may lead to measures that are in conflict with the "requirements of economic development." Such measures also may express "merely" political rationality, but short-term rationality. Since the economy's stability ensures to a considerable extent also the stability of the political conditions, political rationality (especially if it is rationality only seemingly) cannot be in conflict, on essential elements and permanently, with economic rationality. Political rationality itself can be of several kinds because politics, as a matter of course, is a vehicle of interest relations; therefore political rationality might mean the specific interest-related rationality of only certain (and not infrequently of particular!) political aspirations, and thus the relationship between such rationalities and the "requirements of economic development" can be inherently different in each case. Hence it also may be concluded--and we find examples of this in Hungarian socialist society, specifically from a more thorough analysis of the process of economic reform--that the short-term social consequences of certain economic measures (affecting management, economic policy and the system of organizations) might serve as justification for decision alternatives that are perhaps associated with particular political aspirations.

Further conclusions may be derived from these statements of principle.

Perhaps the most significant conclusion concerns the importance of the environment. Decisions affecting the economy extend beyond the economic sphere in any case; and decisions affecting economic management, economic policy and the foundations of the economy's system of organizations necessarily extend to the political system's mechanism, and the wider--internal and external--social environment presupposes the functioning of this mechanism. In our case, two interrelations of the social environment should be pointed out in particular.

First of all, that the factors and motives of economic action are not only economic ones. I will cite merely a few examples, by no means of the same level and significance. Public-opinion surveys regarding the economy have already established that the so-called mechanism of recentralization, the factors of which are naturally complex, played a no small role in the vacillation that followed the introduction of the new system of economic management. One factor of this mechanism of recentralization manifested in that certain enterprise managers (especially among the large enterprises) wanted to respond not to, or not only to, the challenges in their enterprise's economic environment, by adapting to the requirements of the market, but to the actual or sometimes only presumed official expectations. And since the "rewards" of such behavior were greater than of adapting to the market (which, moreover, would have required greater knowledge and analytical ability, and would also have involved risk), behavior of this type was widespread, despite the officially announced principles.

This problem can be formulated also more generally. In practice, every enterprise acts in two types of situations. First, amidst the real economic, social and political relations that place demands on the enterprise and set conditions for it. And secondly, in a situation created by the regulators that have already evaluated from a specific point of view this situation, demands and conditions, and thus often have modified them significantly; in a most general sense, this could be called the normative situation. Enterprise action that directly "responds" only to the real situation is not "ensured" today in any society; in some way and to some extent, the normative situation created by the regulators is always present. We might also say that the normative situation has become a part of the real situation. The question is to what extent does the normative situation meet the requirements of the real situation, what considerations and demands does the system of regulation treat preferentially, and --taking also this into account--to what extent is this system consistent or has also possible internal contradictions.

Such contradictions can stem also from the economic situation itself. Besides the well-known contradiction that exists between regulators that serve long-term objectives on the one hand, and their formation or operation in accordance with the short-term requirements on the other, we can cite also other contradictions. In the Hungarian economy, for example, development of innovative abilities, better organization, and higher performances are a vital necessity. At the same time, however, partially economic and partially social-policy factors act against rewarding outstanding performances. This example also illustrates the fact that specifically because the system of regulation is already based on an evaluation of the situation, objectives and requirements of a different kind also played a role, besides the economic considerations, in designing the system of regulation. This evaluation is of a political nature, thus it may affect, take into consideration, reconcile, etc. various interest relations. But the example also illustrates that the system of regulation might contain, in contrast with the long-term requirements of economic development, also conditions, or their consequences, that are in conflict with the given real situation.

Even in our time the long-term reform concepts could be held back, partially by factors relying on the short-term consequences (or factors taking advantage of these consequences and perhaps based on particular political interets), and partially by the economy's "shorter-term" constraint (or regarded as such).

The second important conclusion from the formulation presented a short while ago is that at present both the aforementioned factors and the economy's constraint are exerting or could exert their effects. Some of these effects, namely the emergency measures stemming from the economic difficulties, could even create the impression that the political leadership has abandoned its course of the economy's long-term renewal, of political, management and organizational reform. It is likewise not surprising that the political forces opposed to reform are striving to interpret and propagate the short-term emergency measures as their own justification, or specifically as measures that are in line with their own aspirations.

I believe it will be appropriate to emphasize that the basic principles of the decision that served as the basis of the reform begun in 1968 were sound, and that their soundness has been confirmed not only by the results, but also by the negative consequences of the temporary and partial departure from these principles. The process of reform is thus indispensable and is continuing, as evident also from the measures that have been adopted in recent years, foreshadowing the distant future as well. And no other realistic and promising alternative seems available.

Adjustment to New Conditions Not Free of Conflicts

However, the experience to date indicates also that this process is not free of conflicts. These conflicts may stem from differences between the economy's short-term difficulties and the requirements of long-term development; for example, from confronting with the real processes some "abstract" ideal of socialism or hypotheses that are identified as socialist principles but perhaps reflect only a certain stage of development; and finally, sources of conflict may be the social effect (or side effect in a given case) of measures adopted in behalf of the long-term economic requirements, or the formation of social conditions suitable for the "requirements of economic development."

Not being an economist, I do not wish to discuss here the contradictions stemming from the economy, its short-term or long-term requirement, or specifically from its structure, from its internal contradictions that can be traced back to the distant or more recent past. I merely wish to point out a few social problems that economic management must take into consideration in the course of further work on reforming the economy's system of organizations.

The first such problem is the tolerability of the reform. In a certain sense, this is a "collective" problem, because many different factors are accumulated in it. Determination of the extent to which society is willing to tolerate something--economic decisions, political resolutions, etc., and naturally any kind of reform--is in itself a political evaluation. Thus the social factors that influence political evaluation are included in the decisions regarding the reform's social acceptance and tolerability. In our political system, however, the problem of feedback that truly reflects society's diverse interest relations has not yet been solved; or more accurately, the feedback is selective, depending on the possibilities of asserting the interests. Therefore the standpoints regarding tolerability are of a subjective nature in a certain sense, and they might not only oppose the requirements of economic rationality--which in the final outcome could happen in any case--but might express particular interests as well.

(A good example of this is the long-delayed raising of rents. A frequently voiced argument for delaying the introduction of realistic rents was that the population would not tolerate higher rents, or would not accept them easily. Actually the rent increases affect a relatively small proportion of the population, about 30 percent. This is the proportion living in council apartments or homes. The two-thirds majority are living in some form of privately owned housing. From the composition of this approximately 30-percent minority it follows that the tenants living in rented apartment or homes--except in Budapest where, incidentally, the proportion of council-owned housing is much higher than the national average--are the strata that are in a more favorable position to express and assert their interests. Consequently, the resistance to higher rents seemed greater than the actual impact. From the viewpoint of "tolerability," then, for a long time primarily the interests and views of a proportion of the population, and within this of particular strata, were evaluated. Among other reasons, because the actual data were not adequately known.)

Practice indicates that up to now society's "tolerability" has developed favorably, although not free of conflicts. This can be attributed in no small extent to the fact that society was kept suitably informed. Within certain social strata the demand to develop the reform further seems especially strong. But it is also indisputable that "tolerability" cannot be interpreted solely in the context of Hungarian society; the conditioning effect of the existing international economic and political interrelations also must be taken into consideration.

Society's ideological conditioning is essentially a factor already in evaluating the degree of tolerability, but ideological theses and how the individual reform measures compare to them play a significant role also in a more general sense. Among others, also the research being conducted at the Hungarian Academy of Sciences Institute of Economics (on the development of economic policy) has found that economic measures which become necessary (or are regarded as such) might come into conflict with "some conception of socialism regarded as valid" or with an abstract ideal of socialism.

Perhaps it is unnecessary to note that although this is an exceptionally difficult problem and could become increasingly so (especially if aspirations associated with particular interests interpret or present as the querying of the entire ideological system any measures conflicting with certain ideological elements regarded as outdated), the problem itself is by no means unique in history. Socialist society, too, has encountered it. Let us recall merely the debates in conjunction with the introduction of the New Economic Policy [in the Soviet Union], or the period from 1957 through the mid-1960's in Hungary. Even in the early 1970's, the raising of this issue led also to retreat. But this problem is not peculiar to socialist society. Essentially every ideological system contained outdated elements; after a certain time, every ideological system tended to forget its own functional nature; and every ideological system experienced that those (both individuals and organizations) whose interests were harmed or believed to be harmed by the new, tried to oppose the new by absolutizing certain outdated elements of the ideological system.

This is a problem we must confront. If we fail to do so, we might easily find ourselves in a situation--now already beyond the obstruction of the unfolding reform--where ideological uncertainty becomes widespread, values become vague and relative, together with the negative consequences of the contradictions between old and new values, etc. The formulation of this problem, then, does not mean the belittling of ideology. To the contrary, important creative work is necessary and possible.

For I believe that differences, and in some instances conflicts, between individual elements of the political system are in the final outcome necessary and are one source of the entire political system's adaptation. It is likewise undeniable that "ideological uncertainty" includes also the development of ideology. And entire society's adaptation to the new requirements (mostly to new requirements that society itself produced) obviously cannot take place without conflicts. Moreover, one of the most important elements of the process of adaptation is specifically the toleration and handling of conflicts or, we might say, the society-wide development of a "finer" functional mode of tolerating and handling conflicts. All these questions nevertheless require deliberate analysis, in the interest of the success of the reform process itself.

Finally, every reform encounters reservations and doubts, and even counteractions emerge. This is true especially when the elaboration of long-term reform concepts is incomplete, when solutions to essential problems have not yet been formulated. For example, we have not yet studied adequately the social consequences of structural changes in the economy, or the extremely complex problem of finding other employment for the workers of enterprises that are to be liquidated because they are uneconomical, or for the workers of industries that are to be cut back. This provides easy arguments for the activity of interest groups dressed in an appealing ideological cloak, especially when they are also able to cite past mistakes. (For example, memorable are the consequences of the one-time decision--although not related to the reform, economically ill-considered and based on illusions--to cut back the coal industry, and the subsequent economic development in contrast with the basis of this decision. Or another example: the mode of feedback from economic activity--the role of the market in this process, the instruments that supplement control by the market, and the desirable limits of their application, etc.--and its political interrelations likewise have not been elaborated adequately. Perhaps it is unnecessary to continue the list of examples.)

Gunnar Myrdal in his world-famous book ("World Poverty, the Challenge of Our Time") termed superficial the view "divorced from noneconomic factors." I believe that such an approach is not only superficial, but in the final outcome also fruitless from the economic point of view. But the exact opposite, an approach divorced from economic factors, is already criminally superficial; because of its illusory nature--as a one-time politician said about politics--it is more than a crime, it is a mistake.

Rezso Nyers Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 68-72

[Text] I will begin my answer to your question, regarding the relationship between economic policy and economic management during the past 15 years, with a question of my own: Is it possible to characterize with the same attributes or, as they say in Pest, "lump together" the past 15 years? In my opinion, only in the sense that the problems of the reform have played a decisive role in the events since 1968. On closer examination, however, we find different subperiods. Actually we find continuity only in the resolutions of the party congresses, in the overall general objectives and principles. In political practice, significant changes occurred on two occasions, beginning with 1973 and with 1979.

The past decade and a half were, in my opinion, economic policy's "period of extensive maneuvering," when we wanted to accomplish three things simultaneously: to unfold the reform, to free the economic units of disturbances, and to spare the political sphere from having the market effects "cross" its influence. Well, it is now obvious that these three things cannot be asserted with equal weight. But we were unwilling to rank them one above another. Hence the maneuvering, once in this and again in that direction.

The political emphases shifted from time to time. Renewal was the dominant in economic policy and management in 1968-1972, while the curtailment and subsequently the halting of renewal were characteristic of 1973-1979. At that time the forcing of economic growth no longer relied on a functioning price system and system of regulation; instead, the methods that had been employed before the reform again gained prominence, in the form of an unofficial "shadow mechanism." Thus by the end of 1978--partially for external and partially for domestic reasons--external economic equilibrium became shaky. There was again a change as of 1979. A new priority and an earlier one were pursued: consolidation of external economic equilibrium, and continuation of the reform process were placed on the agenda.

From 1979 it was noticeable that external economic consolidation and the market mechanism were acting as factors that once reinforced each other, and then countered each other. Since the end of 1981, mostly the countering effect is the typical.

In the 1970's, there were uncertainties in economic development, and differences in the interpretation of the conceptions of society's interests: what was the social effectiveness of investment in agriculture; should we assign a role to capitalist world-market relations in changing the structure of industry; was it sound to expand the small and intermediate enterprises in production and services; and what should be the role of central investment projects and of adjusting to the market in forming the production structure. All these questions arose in organic connection with how the economy should be managed: by taking market forecasts into consideration in central planning; through the rates and extent of price, tax and income regulation; by merging or breaking up the economic organizations. Thus the uncertainties in economic development interacted with the inconsistencies in economic management. For these reasons, then, I do not concur at all with the view that economic policy has been sound all along, and only the practice of economic management produced the well-known problems of the 1970's.

Concerning the principal elements of the system of economic management, I believe that central planning and state regulation were interacting suitably, although it should be emphasized that the system of regulation both stimulated and hampered the realization of the objectives regarding quality and efficiency. Especially in the second half of the 1970's, when normativity declined to a minimum, and relations between state organs and large enterprises consisted of a series of separate deals. But it was nevertheless the system of institutions and organizations that became the strongest retracting factor. It was demonstrated that branch management in the old sense was a pillory for enterprises capable of developing, and that it helped only the lagging enterprises. Many enterprises attained momentary improvements in efficiency through various consolidations and strived to become increasingly self-sufficient, instead of cooperating with other enterprises. On the other hand it must be admitted that the enterprises, until recently, were deprived of the opportunity to change their production structure. Most of the organizational solutions proved to be "second best" from the viewpoint of the future. The lesson to be drawn from all this is the following: all three principal elements of the economic mechanism must be developed in mutual harmony, for only this can produce sustained good results.

My opinion can be summed up as follows: Without the economic reform, the performance of the past 15 years would have been much worse, our present difficulties would be greater, and the political situation would hardly be as consolidated as it is today. But I feel obliged to add that without the sudden halt of the reform process in 1973-1978, without "shadow centralization," the balance of the past 15 years would certainly be better, and our foreign debt would be substantially smaller than what it is today. I do not claim that our situation would be good and problem-free, because this is unimaginable in the present crisis of the world economy, in a period of seriously worsening East-West relations and of a substantial decline of our advantages within CEMA. But one thing is certain: not the economic reform, but its retraction had a destabilizing effect, and the latter placed our situation at risk in the long term. This lesson cannot be emphasized strongly enough, in the interest of developing a cleared political awareness of political public opinion that has become uncertain.

Requirements of a More Advanced System of Management

As the first general requirement I regard that entire management must contain a suitable mix of the system's long-term (strategic) stability and of its short-term (tactical) ability to adapt flexibly. In the system's "stable pillars"--in enterprise independence and responsibility, in the nature and instruments of state management, in the opportunity to utilize domestic and foreign market relations--we basically need security, in the interest of planning and realizing ventures. At the same time, in the "unstable elements" of management --in the prices, taxes, credit conditions, exchange rates, establishment of new enterprises, and cutbacks--we need the degree of flexibility that the situation requires.

The second requirement, in my opinion, is that the 1968 reform's philosophy of economic management, which is free of the state-dirigisme notion and free-market illusions, gain ground and become widespread in social awareness, particularly in the political sphere and among economic experts. It would be a mistake to assume that everything is in order in this respect. Politicians often overestimate the possibilities of state action; occasionally--especially when the flexible elements of economic management change--some politicians simply subordinate the economy to short-term political considerations. On the other hand, some of our economic specialists fear for economic rationality and would prefer to work in an environment free of politics, without the supervision and interference of "laymen"; of course, this too is divorced from reality. The only solution is for the party as a whole and for the majority of our society to accept the essence of the reform philosophy as socialist ideology, without cautious ambiguity.

The third requirement is the clarification of economic policy's aspirations in relation to the present and the future. This is particularly important now when the Hungarian people's economy has abandoned the old possibilities of economic growth but is not yet able to grow in the new manner, and the temporary situation demands an economic policy of consolidation, the restoration of equilibrium at an accelerated rate and in an exceptional manner, taking cognizance of the strict limit on economic growth. As soon as we are over the forced period of consolidation, future economic policy will not only have to restore equilibrium but also to stimulate growth, through export expansion and also a certain increase in domestic spending, parallel with the improvement of external economic equilibrium.

The circle of consolidation tasks includes also improvement of the economic mechanism's functioning, taking into consideration that state intervention in this stage is often of an exceptional nature, broader and more far-reaching; but even then preference should be given to the principle of normative regulation, just as in 1983 a way was fortunately found for this in the case of curtailing import. But development in the new manner at a later date will require economic management more advanced than at present, one that will simultaneously stimulate and compel the enterprises to greater activity in the market.

Very much depends on what picture of the present and future we economic politicians have in mind, and on what the specialists think about the emergency situation and the general principles. If we fail to differentiate between what has to be done in the various stages, then it is to be feared that in the end our efforts will become Sisyphusian, and the rock rolled to the top will constantly come tumbling down.

The more advanced management system of the future, I believe, should be based invariably on organically linking planning and the market automatism. The national economic plan should be perceived correctly as the main manifestation of economic policy that formulates the concept and direction of development, provides normative regulation, but does not contain direct commands for the enterprises. The main motive force of enterprise activity is economic incentive that centers on the annual profitability and the long-term effectiveness of assets (capital).

What specific developments are desirable in the system of economic management? In my opinion, the following:

--Increase of the profit incentive's role in financing the enterprises' development from their own resources, and in the development of the workers' income in excess of wages. To this end we must achieve that profit be more closely in accord with the actual efficiency.

--Management of assets (capital) at the enterprises must be improved, stimulated, and better controlled than at present. The exercise of the owner's functions must be made more effective and stricter than at present. Therefore the owner's rights must be separated from enterprise management that operates the capital, and also from the state administrative organs that participate in annual management, and transferred to a separate organ designated by the government.

--To develop socialist entrepreneurship, monopoly enterprise organizations should be curbed, thereby broadening competition among the enterprises.

--A greater role should be assigned to credit in the economy, in the management of both fixed and circulating capital. A prerequisite for this is the functioning of credit not as a state grant, but as a business investment that compels the efficient use of credit.

--At state enterprise, cooperation between management and the workers as partners must be developed in a clearer and more pronounced form than at present. With the participation of the trade-union organs, a role should be assigned to self-management by the workers of the enterprises.

Another Reform Unnecessary, But Meaningful and Comprehensive Development of Management Necessary

I regard the 1968 reform's basic principles as a suitable framework for further development, provided we make it unambiguously clear that we want meaningful and comprehensive further development. It is unnecessary to prepare another reform because, in my view, the first one was an essentially successful process but was not allowed to run its full course; furthermore, because the basic principles provide wide opportunity for the continuation of the reform process. But it should be emphasized that this statement applies to the 1966 resolution of the MSZMP Central Committee and to the basic principles contained therein, and not to what we could assert in 1968 at the time of the reform's introduction.

We should reflect on why some people find a second reform necessary. Hearing and reading the arguments, it seems to me that this is because they identify the reform's framework of principles with the 1968 practice, which they find inadequate for the future. I believe this is a misinterpretation of the facts. But it is likewise true that others, the ones who wish to limit the reform, also interpret 1968 as the end station. For they seem to be thinking along the following lines: "enough of this erosion of principles" (basically the principles formulated in 1949-1956); what is needed is not a better mechanism, but firm leadership. It seems very likely that the indirect debate between the advocates of these two standpoints will also influence how things develop. To be able to adopt a standpoint on the basis of principles, it is necessary to analyze the mutual relationship between the 1966 policy resolution and the specific introduction in 1968.

In my opinion, the basic principles--or the model, we might say--of the economic management we wish to achieve through our reform are contained in the 1966 resolution, and in the concept that this resolution approved. Obviously, this economic management could not be achieved through a single action. In 1968, our specific objective was to "cross the Rubicon" between the old and the new model. Which we did. We made some progress in 1970 and 1971, and then we stopped. Thus we stopped somewhere halfway in our development toward the conceptual model, for the following reasons:

--A controlled market did not unfold adequately, its influence on production remained limited, and in its place there remained state overregulation and extensive deficit financing;

--There was hardly adjustment of the economy's organization to the new principles of economic management, because central branch management was vegetating, the enterprises remained overcentralized, and competition was able to unfold only on a very limited scale;

--The reform gave the people much (and properly so) in terms of their living standard and consumption, but it gave very little of the production incentive to the smaller worker collectives; as we often hear it said, "the reform has stopped at the gates of the large enterprises."

The question arises as to whether the significantly changed world economic and domestic situation will query the earlier basic principles. In my view, not at all, rather it will reinforce them. The circumstances have changed very significantly, but they affect the practice of economic policy rather than the economic mechanism. The mechanism's reform emphasizes the linking of growth and equilibrium as its basic principle; but economic policy urged at that time the acceleration of economic growth, which in 1968-1973 occurred parallel with an improvement of equilibrium. Obviously, acceleration under the present conditions is not feasible in the same way as then.

Naturally, a shift of emphases is necessary also with regard to other effects and requirements. Renewal of the management of assets arises more forcefully. This is also true of the development of the political mechanism related to the economy.

In conclusion my opinion is that if we interpret correctly the basic principles pursued in 1968, they provide a suitable framework for the meaningful perfection of economic management.

Imre Pozsgay Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 72-76

[Text] When speaking of the relationship between economic policy and economic management, I believe it is expedient to go back as far as the MSZMP Central Committee's resolution of 25-27 May 1966. For the basic principles of the economic reform, and also the detailed program for the reform's elaboration, were formulated in this resolution. From a study of this document it is evident that the party undertook the reform at that time as an initiative that would transform also economic policy. Proof of this is already the very first sentence of the resolution: "The reform is first of all a reform of our economic mechanism, and within this of the system of economic management; at the same time it is closely linked to our party's economic policy and is aimed at perfecting it."

In support of my above statement I deem it necessary to cite two more ideas from the first chapter of the resolution: "The reform's political importance lies primarily in that it is intended to ensure the faster rise of the masses' living standard in the future, and it strives to achieve that in the future the individual worker's living standard will depend more closely than at present on the social usefulness of his work, on his individual performance, and on the effectiveness of collective labor . . .. It is necessary to develop socialism and to unfold more freely creative work that serves the public interest. And finally, the reform's objective is to create favorable conditions for the further development of socialist democracy." And further on: "Thus the reform itself is an important factor of economic policy's development . . .. This objective demands that we strengthen the socialist bases of our society and develop the forms of socialist production relations."

I found it necessary to recall this resolution, which many persons have already forgotten, because--in my opinion--the main problem of the 1968 reform is that in the course of its realization we have not been able establish harmony between the objectives of economic policy and the economic mechanism, which is likewise a part of economic policy. A thorough historical analysis would be necessary to answer the question as to what happened between 1966 and 1968, and what has happened since 1968.

Among the objectives of economic policy, improvement of the workers' living standard and the intention to raise it have been realized extensively. The living standard's rise is unquestionably an achievement, and a great one at that. Its preservation is very important also for political reasons; aside from humane considerations, because this is one of the pillars of social stability. However, the following question arises: To what extent were the rise in personal consumption in the 1970's, the maintenance of the balance of supply and demand, and the suppression of shortages in personal consumption consequences of the economic regulators that serve the functioning of the economic mechanism, and to what extent were they the consequences of economic policy and of general policy?

In my opinion, policy oversaw the living standard's rise all along, and therefore policy must also safeguard it, in the interest of maintaining society's unity and cooperation. Namely the economic mechanism was unable to solve a few of its basic tasks, and therefore policy was forced from time to time to override the economic mechanism and to intervene directly in the economic conditions, mostly in the proportions of consumption and accumulation. To this we might say that policy itself thus distorted the economic conditions by its voluntaristic intervention. Naturally this too should be examined, but it would be regrettable to judge hastily in favor of a biased mechanism apology.

First of all a review should be made of the results and contradictions of the economic mechanism's 1968 reform. For this is not the concern of only a narrow professional circle. The extent to which we are able to explore our own past without distortions and bias is an indication of the level of our political culture, and on this depends also the further development of our political culture. Only in this way can we avoid the danger of replacing the old dogmas with new ones. Therefore a thorough analysis of the 1970's is urgently necessary, and science still owes us such an analysis.

An indisputable result of the reform, in my opinion, is that it has relegated once and for all into the museum of our economic history the system of management through planning directives. A closely related result is that the reform has proved that an abstract, moralizing and normative model of socialism is unable to direct the economic processes and actions. The point in question, moreover, is that even the political and social values lose their validity without real economic performances. However, the reform not only yielded such results and perceptions; it also revealed obvious contradictions.

Historical truth compels us to admit that these contradictions had been causing stresses and had required action even before the reform's criticism and the debate on it unfolded in 1972. I will mention only the most important contradictions: the market's instruments for balancing and regulating supply and demand were not functioning, because a real socialist market was not created; the requirement of price- and cost-sensitivity did not assert itself at the enterprises, as evident also from the exceptionally high material- and energy-intensity of production; the enterprises retained their growth incentive, and their profit incentive was subordinated to growth; we did not succeed in regulating through the market the proportions of accumulation and consumption, and we were able to keep investments within limits tolerable for economic policy and society only through administrative measures, as before; labor productivity and technical development lagged behind the objectives of economic policy; development of the infrastructure was far below the requirements, etc. To refresh our memory, let me quote from a statement by the deputy premier, Mihaly Timar, that appeared under the title "Accounting at Midyear" in the 14 September 1969 issue of NEPSZABADSAG: "Although there has been some progress, we have not yet been able to restore equilibrium in investments. The demand is greater, and the enterprises have more financial resources, than the available construction capacity and the possibilities for importing machinery."

The listed contradictions, and others that cannot be analyzed in this reply, also indicate that our relatively balanced economic situation between 1968 and 1974, which occasionally is described as having been ideal, can be attributed not so much to the new economic mechanism, rather directly to economic policy. By this I do not wish to imply that economic policy in the said period was infallible, nor that there was no interaction between the economic mechanism and economic policy.

The results in Hungarian agriculture are mentioned as, allegedly, expressions of conditions adequate for the new economic mechanism. But it should be pointed out that the successes in farm production, and in food-industry production in particular, were again a direct consequence of economic policy, of the interest associated with the standard of living. This interest demanded that enterprise (cooperative) self-managing institutions be formed that conform to peasant traditions and the way of life, and to the intimate social conditions and division of labor in rural areas. Economic policy then supported these institutions with suitable state grants, credits and investment measures.

The problems and contradictions of the economic mechanism have to be recalled not to provide new arguments against the reform, but to prepare a comprehensive and--perhaps now it is no longer an exaggeration to say--objective analysis of the experience of the past 15 years. The reform and its continuation are unquestionably necessary. It is proper that, in the course of seeking our way, we return to the Central Committee's 1966 resolution. I do not consider reference to 1968 objectionable--incidentally, this is the date of which public opinion is aware--but I think that such reference is inadequate and hazy. What happened between 1966 and 1968 is an exceptionally exciting question from the viewpoint of a new reform initiative. We must clarify in its real interrelations also the role and significance of 1972, just as what happened between 1968 and 1972 when the reform itself revealed its own contradictions. But when we go back to the 1966 resolution, we cannot do so uncritically, and most of all we cannot disregard the fact that the events of the past 17 years have not disappeared without a trace but have become a condition of further progress. In this way it would be possible to determine what specific political and economic conditions interacted or collided to produce the economic mechanism that emerged and must be reformed or developed further if we are to cope with the harmful consequences of the state of the world economy, and especially with the disturbances in the functioning of the Hungarian economy.

Determine the Social and Economic Points of Reference

The greatest difficulty stems from the fact that world economic recession and preservation of the country's international solvency have compelled us for a long time to intervene in the operation of the economic organizations with government measures that conflict with the reform's spirit and the economic mechanism's rules. (As I have indicated, such interventions have accompanied the reform all along, because of the mentioned contradictions, but now a series of administrative measures has become necessary that exceed even the previous interventions.)

We have intended these measures to be temporary, transitional. (An example of such measures is the urging of the quantitative export incentive that is hampering the already hesitantly functioning profit incentive.) But if this transition proves to be a long one, its methods might become structured in the economy, and this could make uncertain and indefinitely postpone the possibilities of the reform's further development. Without questioning the need for temporary measures, then, our first task must be to find consolidating bridging methods that will realistically lead, through a continuation of the reform, to economic perspectives beyond the restrictive period.

The purpose of this short-term consolidation program is to relieve the stresses accumulating in the economy, which at the same time will enable us to elaborate a long-term program of economic policy, while preserving political stability.

The elaboration of such a long-term program is also a political necessity, because maintenance of the existing level cannot be a permanent program for a nation, and an entire country cannot be maintained at the given level. But this long-term program cannot be building castles in the air. I mention this because in the reform plans that have been made public we encounter a new type of voluntarism: regulating voluntarism. Imitated and simulated relations are described in these plans, as if a society consisted of the pieces and rules of a Monopoly game, and not of real relations (in which interests are present that cannot be simulated by means of regulators).

Even amidst our present economic problems, several specific initiatives are possible, in areas that exceed the economy's framework but react favorably on the economy. As one such possible initiative I regard the wider and real participation of social organizations and movements in the formulation of economic policy. On the basis of a possibly accurate exploration of the interests and determination of the political preferences, the trade unions and the Popular Front should be given a broader role in the elaboration of the stabilization program and long-term reform program. Such participation could strengthen society's confidence in these organizations and movements, consequently it would reinforce the political base even in the difficult situation. Naturally, such participation should extend to the local levels. This could be the most reliable method of preventing the worker and local collectives from seeking solutions to their problems in movements over which we have no control.

At the time of searching for and defining the directions and perspectives, it will be unavoidable to clarify anew the relationship between politics and economics. Although I wish to emphasize anew that even political values lose their validity if there is no suitable economic performance, it seems important to identify the social and economic points of reference that can provide orientation for the elaboration of the program of economic reform.

--Social ownership of the means of production must continue to determine the place of all the other production and social relations. For the effective hegemony of social ownership--in other words, when this hegemony is ensured mostly not by political power, but by its successful functioning--it is necessary to examine and develop the entire system of institutions that serves the functioning of social ownership. We must go beyond the situation, or sometimes only the appearance, that social ownership's form of existence is stagnation or development along rigid paths, whereas private ownership's form of existence is dynamism and initiative.

--After social ownership, another important cornerstone of our society is economic growth, for only it can be the source of raising the living standard, improving the living conditions, and of pursuing a policy to this end. We must create a mechanism under which the interests of the enterprises and of society are reconciled in such a way that growth is not accompanied by the considerable fluctuations that have persisted even after 1968, by mechanisms that constantly disrupt equilibrium.

--Adjusting to the requirements of growth, we must ensure possibilities for social mobility. This requirement is linked to growth also in the sense that it presupposes development of the social consumption funds and of the infrastructure. (Incidentally, the infrastructure's lower import demand permits its development even under the present difficult external economic conditions, the social-policy benefits of which would be very significant when the living standard is stagnating.)

--The workers' secure livelihood must be a combined result of growth, mobility and state oversight. We must abandon the illusion that the unemployed banging on the factory gates will keep in check those within the gates and maintain in order the relations inside the plants. We know of developed capitalist countries where work organization was in order, and the work performed was productive and of good quality also when there was full employment or even a labor shortage; and we know of socialist countries where the production organizations are plagued by serious disorders in spite of the high unemployment. Naturally, the plants must rid themselves of redundant workers because they represent unnecessary additional cost, but the state must continue to strive for full employment.

--Last but not least, for the dynamic operation of society's assets we must strive to find institutions of ownership that embody the social nature of the assets, have a direct interest in their operation and help to resolve the isolation of the assets from the work organization. This process must be accompanied on the one hand by the clarification, in the spirit of their political values, of the relationship between economics and politics, between party leadership and party organs and the economic organizations. And on the other hand, by the clarification of the relationship and links between society-owned assets and the workers. After all, our objective is to develop the socialist nature of the production relations.

If we take these points of reference into consideration, then we can justifiably say that even the boldest reform program, one that is not divorced from reality, has been designed under socialism, in its behalf. In this way we may go back to the 1966 resolution, most of whose economic-policy requirements are valid requirements even today. Linking the living standard to individual and collective performance remains our objective in the same way as before. Nor can we take off the agenda the development of socialist democracy, and the investigation of the interaction between the economy and the system of political institutions. The mentioned resolution also states that the forms of socialist production relations must be developed as well.

We cannot abandon these requirements even today when some people are seeking such forms outside socialism. It must be made widely understood that political power guarantees that our economic relations may develop only in one direction, toward socialism. But if these relations are to be effective and viable, far-reaching changes will have to be made. This too is a question of political judgment.

Miklos Pulai Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 76-79

[Text] As the greatest result of economic policy I regard the fact that about 20 years ago economic policy recognized the great significance of the system of economic management in the formulation and implementation of economic-policy objectives, set this system's development on a new conceptual course and thereby made the 1968 economic reform possible. The reform did not extend to the entire system of economic management as we interpret it today. Essentially it established a comprehensive system of economic regulation. However, the reform's most typical measures were in the area of planning: the enterprise plan was separated from the national economic plan, and thereby the system of the plan's mandatory breakdown was abolished.

After its birth, the new economic mechanism (as we then called it) underwent modification not only because of the changing requirements of economic policy, but also because its spontaneous development demanded changes. But it was likewise essential that the mechanism itself influenced the practice of economic policy. In particular, its successful operation demanded that economic policy take its signals into consideration and allow its consequences to assert themselves.

In the first stage of the reform, which I define as the period from 1966 to 1972, the relationship between economic policy and the practice of economic management appeared to be essentially in harmony. Economic policy demanded rapid growth in industry, agriculture, investment, the living standard, and in trade with both principal provenances and destinations. For this the new economic mechanism provided conditions more favorable than previously: greater independence for the enterprises and cooperatives increased their activity, the new rules of economic activity gave them wider decision-making authority and increased their incentives.

The opportunities provided by the flourishing foreign markets combined favorably with this increased activity. On the basis of all this, there is some justification in calling this period the "golden age" of the Hungarian economy. But every golden age has also its clouds, and there were conflicts as well already in this period.

In 1970-1971, the rapid rise of the demand for capital goods (due predominantly to the shortcomings in regulation) triggered an investment boom, and parallel with it there was an unexpected and substantial net deficit in our balance of trade denominated in hard currency. The net deficit in trade with this principal provenance and destination grew also because the large net surplus in our balance of ruble-denominated trade required increasing capitalist import. The situation was soon resolved through swift and decisive measures, and in 1972-1973 equilibrium was restored. Such a "conflict" may be regarded as natural from time to time; and if economic management responds properly, the corrective measures are effective.

A more serious conflict with longer-term effects, lasting perhaps to this day, arose in 1972 when several large enterprises lagged behind the average, in the results of their economic activity and in wage increases. The causes of this lag were sought, and believed to have been found, not in mistakes by the enterprises' managements, but in the new economic mechanism.

This triggered a counterprocess that caused harm not only, and perhaps not primarily, through economic measures that proved to be unsubstantiated (for example, wage increases without any strings attached), but by encouraging the enterprises to seek to improve their situation through general or special modifications of the regulators in their favor, instead of improving their own economic activity. This was already a conflict of a different kind between economic policy (or perhaps politics?) and the economic mechanism, and it arrested for a good many years, until 1978, the work and measures necessary for the reform's further development. And this was not the only type of work that would have been necessary. The new situation that arose in the wake of the oil price shock also warrented changes. The lateness of our response can be attributed in large extent to the existing uncertainty concerning the reform. This uncertainty could be felt in practice, despite the fact that the party adopted on several occasions --even at its congress--a standpoint in support of the new economic mechanism.

During these years there were debates on, among other things, the future of the cooperatives, the household plots, and the livestock tax.

From 1978 on, harmony between economic policy and economic management again improved. Within economic management, the elements intended to improve the effectiveness of economic activity were strengthened. Economic equilibrium was given priority in economic policy, and greater emphasis was placed on such categories as the market, competitiveness, profitability, and incentives. By modifying the price system and the financial regulators, we attempted to introduce the world market's yardstick into the economy. The government placed on its agenda the comprehensive further development of economic management: the coordinated modernization of planning, of the economic regulators, and of the economy's system of organizations, including the institutions of the economy's central management.

But by then the conditions had become substantially more difficult. We could no longer expect to include foreign resources in financing economic development because debt servicing (instalments plus interest) exceeded borrowing, and the worsening of the terms of trade became permanent (first in trade denominated in hard currency, and then in ruble-denominated trade). The consequences of the worsening East-West political and economic relations jeopardized our solvency. In 1982 it became unavoidable to improve our balance of trade at a faster rate, which required immediate decisions and measures from economic management.

Regulatory measures affecting only the economic processes could not be expected to produce the desired result within a few months. Therefore also several measures were adopted that intervened in the processes. As we very well know, the main objective has been achieved: we have maintained our solvency. At the same time, however, a new problem has arisen. Its essence, in my view, is that we cannot know as yet what consequences the temporarily necessary stricter central management will have in terms of the rate of economic management's comprehensive further development.

Reasons for Further Development

During the past 15 years, the system of economic management, including the system of economic regulation, has undergone considerable and frequent changes. There was large-scale coordinated modification before each five-year period. We introduced measures to provide incentives and control purchasing power as the need arose, generally in harmony with the annual economic plans. To this end we introduced in recent years many changes in the individual elements of regulation also during the year.

Already at the time of the new mechanism's establishment it was foreseeable that it would require systematic further development.

--The reform applied mostly to economic regulation, and subsequently it regarded as its task also the modernization of planning and of the system of organizations.

--Economic regulation itself reflected many compromises, which had been necessary at that time, and their resolution took time.

--It was likewise obvious that in work of this type there were no "bull's-eye" solutions, and that the need for changes would arise as the experience with the mechanism's operation was evaluated.

--Development of the domestic and external conditions had to be taken into consideration, and it was to be expected that our system of economic management would have to be modified accordingly.

The 6th Five-Year Plan expresses an economic policy that can be characterized by its following objectives:

--External economic equilibrium must be strengthened by expanding export and by reducing the proportion of import within production and consumption.

--The effectiveness of economic activity must be improved, and thereby national income must be increased to maintain the standard of living and to provide resources for economic development.

--The economy's structure must be changed as the basis for the expansion of export and for higher profitability.

To achieve these objectives, we must modernize the entire system of economic management: planning, economic regulation, and the economy's system of organizations and institutions as well. The necessary changes are being implemented, in part continuously, and in part within the framework of one-time, extensive and coordinated measures.

The principal direction of economic management's further development is, in my opinion, greater enterprise independence based on incentive and sensible risk-taking. The economy's present and future tasks can be solved successfully only if in their decisions the enterprises and cooperatives assert the main requirements formulated in economic policy, and if they have incentives and disincentives to do so. Enterprise decisions will satisfy these requirements if the yardstick--i.e., the price regulations and financial regulations--transmits the conditions of the world market. In simplified form this could be stated also as follows: we must expect economic regulation not to allow to function long those economic organizations that are unable to market profitably, the ones that are using more material, energy and labor than their competitors. On the basis of our 15-year experience we now know that it is extremely difficult to satisfy this elementary requirement.

As I see it, the most important tasks in the further development of economic management are as follows:

--Enterprise independence must be broadened to include changing the production structure, combining the production factors, and the forms of organization.

--The mode of obtaining additional capital and financial resources must be made more varied.

--The requirement of competitiveness in the world market must be asserted in price regulation and financial regulation.

--The social and economic problems stemming from the uneven development (differentiation) of the economic units must be solved (or more accurately, the consequences must be borne).

--Relations between central economic management (the state) and the enterprises must be reassessed and regulated anew.

--Central economic management's system of institutions must be modernized, with due consideration for independent enterprise operation.

--Enterprise management must be developed further, and the collective must be given more say in the state's decisions as owner.

Economic Management Must Be Based on Combining the Plan, Market

The Cental Committee resolution adopted in 1966 provides a suitable basis for further development. I find it necessary to go back to the 1966 resolution because the specific system introduced in 1968, as I have pointed out earlier, did not and could not solve many things. The basic principle that our economic management must be based on a combination of the plan and of the market. The Central Committee resolution on the reform is of historical significance. On the basis of this resolution there has been created a functioning system which, with due consideration for the specific conditions in Hungary, has demonstrated that a planned economy is possible even without a mandatory plan breakdown, and that the economy functions more successfully in this manner.

Many things have happened since 1968, and an entire historical period has gone by. Many concepts have different meanings than earlier. I interpret differently--and also attach different requirements to--such concepts as an open economy, independent enterprise, central economic management, incentive, entrepreneurship, and risk. And if my unambiguous opinion is that the basic principles of economic management's reform can serve as the starting point for work on further development, this does not mean that we do not have to reassess our views and set new tasks for ourselves.

I find it necessary to emphasize also that within the framework of further development it is not enough to do only professional economic work. And it must also be pointed out that already the resolution on the reform formulated two essential conditions for the successful functioning of the new economic mechanism. (The experience of the past 15 years shows that the absence of these conditions detracts considerably from the effectiveness of economic management.)

The first and also the basic condition is that we much create a situation that leads to a buyers' market, in which competition gradually expands and there is slight oversupply in terms of capacity. Only under such conditions can a regulated market function, on which we can base the elements of market regulation conducive to the unfolding of efficient economic activity.

The other condition is that for entire economic management and economic policy (and I might add, also for politics) we must create an environment in which it is natural that some enterprises and collectives develop more rapidly than others, and some drop out, new production structures and enterprises emerge and old ones cease. Consequently the rule is that the prosperity of the collectives and individuals depends on the success of entrepreneurship.

Tamas Sarkozy Replies

Budapest TARSADALMI SZEMLE in Hungarian No 2, 1983 pp 79-84

[Text] The "new economic mechanism," the basic principles of which were announced mostly in the May 1966 resolution of the MSZMP Central Committee and in the guidelines attached to it, produced exceptionally important changes in the system of economic management. The essence of the changes can perhaps be highlighted in the following:

--The plan's hierarchical breakdown was abolished, and thereby the basis was established for developing a qualitatively different system of relations between the central organs of economic management and the socialist economic organizations that are to function as enterprises.

--This mechanism intends to make central economic management more effective by giving the enterprises more independence. It strives to regulate market relations between enterprises on the basis of the economic-policy decisions formulated in the national economic plan.

The reform's introduction in 1968 was a political act of historical significance. This statement is not self-contradictory even amidst our present economic difficulties, because the consequences of the world economy's recession would probably have been far more serious without the reform's introduction. The reform of economic management is an attempt to realize a combinative socialist economic mechanism of a new type, one that is geared--in comparison with its starting point--to more developed productive forces and production relations, to a more civilized population, to a professionally more advanced team of specialists and managers, and to a better balanced domestic political environment.

Economic policy and the economic mechanism are two interacting but distinct categories. Several different types of economic mechanism might serve the same economic policy, and a given economic mechanism does not determine a specific economic policy. However, these possible variations are not unlimited. For example, a shortage economy plagued by persistently serious disequilibrium cannot be managed by means of process regulation based predominantly on indirect instruments; in such cases we also need, fairly extensively, "manual control" with direct instruments. Actually also the clearly observable contradictions between the principles and practice stem mostly from the fact that long-term interests demand assertion of the reform's basic principles as consistently as possible, whereas in the short term the liquidity problems often require operational measures instead of the slower-acting market and other automatisms. Economic policy maneuvers between these two basic interests, necessarily with a certain margin of error.

Often the views--well-intentioned, in my opinion--that regard a "new reform" or "second economic reform" necessary, instead of the 1968 reform's further development, can be traced to the mentioned contradictions. These views are an indication of impatience among the less experienced youthful strata or among the so-called self-employed intellectuals who are less well informed about the economic realities. This impatience is fueled also by the fact that we were speaking of further development even when the reform was specifically being rolled back. However, from the contradiction between theory and practice--and I believe that in the given situation such contradiction is often necessary--

it is possible to draw also the erroneous conclusion that operational management is in fact proper and truly "socialist." This standpoint, mostly implied, can be attributed basically to conservatism, to adherence to outdated ideological tabus (for example, the favoring of one-man management), and also to interests of convenience (it seems easier to manage with commands, rather than with an extensive arsenal of variable instruments, which requires more knowledge).

Gradual Realization, With Advantages and Drawbacks

In my opinion, the basic principles of economic management's reform formulated in 1966 provide a suitable basis for further development. In many respects these basic principles have not been realized as yet, and already for this reason a new reform is unnecessary. A reform is built necessarily on the preceding development, and it can be realized only gradually. As we entered into the 1970's, for example, several concepts were elaborated for whose realization the political conditions were lacking at that time, but they matured by the end of the decade. (For example, the reform of industry's management.)

Besides its numerous advantages, of course, the reform's gradual realization has its drawbacks as well. For example, the political advantage that, under the more moderate post-1957 system of plan breakdowns, economic management's system of organizations was already suitable to serve, with minor modifications, as the basis on which we could build our new type of planning and regulation system eventually had significant drawbacks. Not the system of organizations adjusted to the reform's system of planning and regulation, but--in the early and mid-1970's--planning and regulation began to transform themselves to the "requirements" of the old system of organizations. Together with a substantial proportion of the researchers, I share the view that the system of organizations has lagged relatively behind the system of planning and regulation (although some development began in the late 1970's also in the system of organizations). Thus in the 1980's the basic area of further development will presumably be the system of organizations in economic management and in the enterprise sphere.

In spite of all its drawbacks, a gradual reform burdened with compromises (and hence, to a certain extent, with internal contradictions and countertrends) seems to me as the attainable optimum, considering the country's social, economic and political conditions, and the international political and world economic interrelations. However, we must have a scientifically substantiated comprehensive development concept, and the continuous partial measures must serve the realization of this concept. For example, the statutory regulations promulgated in late 1981 on management committees with decision-making authority, on the appointment of directors, and on the status of the boards of supervision, are most likely flawed by contradictions. These changes nevertheless seem to be pointing in the right direction, toward a better combination of collective management and of one-man management.

Just as sudden halts and lapses are possible as a reform unfolds, considerable sudden advances also are inevitable. Thus, while we emphasize continuity, sudden rapid development in some areas of the economic mechanism also is imaginable. Such more significant changes might occur in the mid-1980's in the economy's system of institutions. The fact that we are speaking "merely" of further development does not mean that there can be no significant progress in certain spheres. In the same manner it cannot mean rigidity when we say that development must proceed essentially according to the reform's basic principles elaborated in the 1960's.

The 1968 reform represented the experimental introduction of a theoretical concept. Since 1968 we have gained extensive practical experience and can boast of significant results in the social sciences. Some ideas proved unambiguously wrong; for example, the overemphasis on one-man management at the enterprises. On other questions the guidelines were rather uncertain and hazy; this is characteristic of the statements regarding associations and the flow of capital. The international conditions likewise have changed significantly. The reality of CEMA relations differs in several respects from the conceptions formed in the late 1960's. Our evolved system of relations with Western countries is more complicated, and requires instruments more difficult to manage, than what we imagined at that time.

In the course of developing further the system of economic management we must bear in mind also the fact that the 1968 reform was based essentially on groundwork in the economic sciences. This is understandable because at that time sociology, the theory of organization and management, and political science were only in their embryonic stage in Hungary. The branches of constitutional theory, public administration and jurisprudence that are concerned with the economy were rather undeveloped. Today the situation is different. Organization sociology has achieved significant results in exploring the movement of interests within enterprises; we have laid the foundations of management science and political theory; we are relying more on public administration law and economic law; important works have been published in economic history and the history of economic theory; we have made progress in the comparative study of international experience; and a comprehensive enterprise theory is being elaborated in the social sciences. Therefore today the reform's further development --more so than in the past--is far more than a simple economic task.

Although the view is widespread, it is nonetheless a considerable simplification to regard our economic mechanism as the aggregate of its planning, regulation and institutional subsystems. In a wider sense the planning system may be interpreted to include state decisions embodied in, or based on, the national economic plans. And regulation may include not only the system of regulation in the public-administration sense, but also the sum total of instruments that transmit central decisions to the enterprise level: direct or indirect instruments of economic management, normative or special instruments, mandatory or merely guiding instruments, and statutory instruments or instruments established by specific acts. And in its turn the system of institutions includes the system of organizational forms in central economic management and also in economic activity. Perceived in this manner, the economic mechanism may also be regarded as three large systems of relations.

These systems are as follows: the system of relations between central economic management and the economic subjects, primarily the enterprise sphere; the system of coordinate relations between enterprises; and the system of relations within enterprises.

A decisive question from the viewpoint of the structure of these three segments is the reinterpretation of the state's economic function. Which are the tasks that the central state apparatus can still undertake efficiently, and where is the borderline between state executive activity and enterprise management? To what extent is it necessary or possible to base economic management on the state's rights as owner, or to what extent is it necessary to separate these two activities and assign the functions of the state as owner to economic organizations?

This question stems from the problem of the extent to which the subjective unity of the state as public authority and the owner of the means of production requires also methodological unity; in other words, to what extent is it possible to develop in the economy methods of state management relatively different from the state's forms of behavior as political power. Essential is recognition of the fact that economic overhierarchization and excessive state administration under the command-directed planned economy would offer, under the present conditions, more drawbacks than advantages, and would weaken rather than strengthen the state. State administration is not identical with the state itself; it is only a part of the state, and its excess upsets the balance of the state's organization. Moreover, excessive state administration undermines the effectiveness of state administration itself and impedes its transformation into real public administration.

Questions of Developing Administration of the Economy

A fundamental question of developing further the reform of economic management is the relative curtailment of state administration's functions, in favor of other state organs or of organizations established by other state organs (for example, the state organs that exercise the functions of the state as owner). This ties in with the general modernization of Hungarian public administration, with modernizing its real nature and the arsenal of its official instruments. The efficiency of public administration is hampered when it undertakes to provide services directly, when it constantly interferes in the partial processes of economic activity and represents the interests of the enterprises. In a wider sense, the enterprises founded by the state also are a part of the socialist state, and these enterprises are better able to solve the tasks of economic activity than the public administration organs. Actually this realization is reflected in the expansion of the authority of combines and associations in other socialist countries, and also in the appearance of self-financing ministries, as opposed to the "political" ministries, in the Soviet Union. A system for representing the interests of enterprises and trades that is entirely separate from state administration could make for the better preparation and implementation of economic-policy decisions. I regard the development of such a system as a fundamental task.

We will have to exert considerable effort to strengthen the organizational support of the government's functioning. Duplication and overlapping in decision-making must be reduced (also between the state organs and party organs). We must not allow an accumulation of decisions that erodes responsibility, or let the government's activity drown in a flood of partial questions, because this inflates and thereby devalues government decision-making. There have already been efforts in this direction, but it appears that we have been unable to find as yet the organizational guaranties for all this. It should be noted that the distinction between the functional and the branch organs of economic management is becoming increasingly artificial. We need the branch ministries as the representatives of trades and of the branches of the economy, and not as quasi-trusts and buffers between the functional organs and the enterprises. I see the real future functions of the branch ministries not in exercising the rights of the state as owner, and not in the operational management of the enterprises. These ministries can find their real place in the economy's system of institutions as "trade and functional" managing organs of economic policy or as the supreme authorities of the individual trades.

Significant tasks await us in refining economic management's arsenal of instruments. There are many ideas on the technical development of economic legislation that would include also the economic regulators. Agreements between central economic management and the enterprise sphere on preparing and implementing the national economic plan would essentially mean the establishment of relations between them as partners (in spite of the conflicts of interest that unquestionably exist) and would underscore the equality in principle of economic management and of the enterprise sphere within the state's organization in a wider sense.

The inclusion of so-called administrative contracts in economic management's arsenal of instruments would provide wider room for maneuvering also in the granting of state aid and in the implementation of international agreements concluded within CEMA. Naturally, government control must be ensured the option --also because of the exceptionally rapid changes in the state of the world economy--to interfere operationally in the operation of the enterprises when no other solution is possible, and to issue also specific directives. However, even operational interference must be legal, and controllable by society.

Thus further development of the reform of economic management also means the modernization of the functioning of the socialist "economic state." In this area we must reject on the one hand the view that--practically as a necessary consequence of the earlier overgrowth of state administration--advocates the opposite extreme and would like to roll back the state's economic activity to the 19th century state's "night watchman" role, which today is outdated even under the conditions in the West. On the other hand, the view must also be rejected that the functions of the state in the economy can be imagined only within the framework of the hierarchical pyramid that developed in the 1950's.

In the enterprise sphere we must press for a greater variety of forms and more dynamism than at present. A multitude of the enterprises' organizational forms and the transformation of individual forms into others--at a certain level of economic development--are practically natural. In my view, this does not mean permanent reorganization or organizational formalism. We may regard as essentially proven scientifically that our enterprise sphere is overcentralized, there are too many administratively merged pseudolarge enterprises, and the medium and small enterprises that supplement the large enterprises are lacking. For this reason we welcome the efforts to establish small companies and to expand the forms of small businesses. These efforts must be continued also in the future.

But at the same time it should be emphasized that not only the forced enterprise and cooperative mergers serving the convenience of economic management (on the principle "the bigger, the more public") are harmful, but also the one-sided decentralization and excessive preference of small businesses (on the erroneous principle "the smaller, the more democratic"). Admittedly, the new is always interesting. I nonetheless find it objectionable that from the Hungarian press it would sometimes seem that small businesses are the miracle weapon with which all the problems of the Hungarian economy could be solved. Far more important than small businesses is to develop the internal organization of our large enterprises and to create the sphere of medium enterprises, with the many small organizations complementing them as suppliers.

Not only split-ups will be necessary in the enterprise sphere, but also integration, and the more these processes take place out of economic necessity, through the voluntary decision of the enterprises, the better. Placing cooperation between enterprises on a qualitatively new basis is likewise a fundamental task in this context. Here, in my opinion, we must reject the administrative and punitive concept of "contractual discipline" that is foreign to the economy, and also the market scheme of "free competition" that sharply pits the enterprises against one another. The objective is the elaboration of a concept that is based on modern mass production, adjusts to the altered laws of the market, combines competition and cooperation, and shows a significant preference for permanent contracts.

As can be seen, there is much to be done, although I have dwelt only on the organizational questions that fall within my profession. Perceptibly, the economic mechanism's further development is by no means a program that is void of imagination, unsuitable for the participation of wide strata, and destitute. It should be emphasized, however, that many elements of the concept of development are still incomplete, in the stage of basic research. The establishment of the staff of consultants also serves to accelerate and synthesize this work.

In this stage of work we need within science as many ideas as possible (even wild and unsubstantiated ideas), as many debates as possible (even disorderly and passionate debates), and detailed criticism (even sharp and occasionally unfounded criticism) of the existing social and economic practice. However, only in the course of elaborating these ideas will it be possible to determine which ones are viable, and it might not be possible to use, under the given economic and political conditions, even proposals that are sound in principle. Therefore it is not proper to present to the public these still indefinite and often mutually-conflicting proposals, which are only now taking shape, as if they could be introduced already now and would immediately improve the economic situation.

There is no reform, nor is it possible to design one, in the area of the economic mechanism or in the system of organizations, that could be an effective balm and immediately cure our economic ills, and which would have only advantages and no significant drawbacks. Finally, even the seemingly most perfect concept is unacceptable if it might have economic, social or political ripple effects that could jeopardize the socialist-based social and political stability that we have achieved in Hungary by hard work over a longer period of time.

1014
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SMALL UNDERTAKINGS PRESENT MIXED PICTURE TO DATE

Budapest FIGYELO in Hungarian 24 Mar 83 p 3

[Article by Mrs Dr Lorant Polgardi: "Businesses in Infancy"]

[Text] One year has passed since it was made possible to found small businesses. There is a social custom of evaluating activities and processes each year; there is a bad custom of frequently making final judgments on the basis of the experiences of 1 year.

According to preliminary data for Budapest in 1982: 9,000 new industrial permits were taken out; 3,000 were terminated; 1,000 business economic work communities were formed with about 9,000 members participating; and 1,000 economic work communities came into being, with 4,300 members.

About 20,000 people in the capital entered into some sort of undertaking. One can debate whether this is few or many, but it is a fact that this hardly exceeds 1.5 percent of the persons employed in the capital and the majority of them began their businesses while maintaining a working relationship. So they have had little influence on the development of the manpower situation. At the same time it is worthy of note that half of the small businesses established in the country were established in the capital, which can be explained in part by the economic, political and cultural significance of Budapest but also by the fact that in the capital there are limited possibilities for agricultural "small undertakings" (household plot farming, special groups).

The number of small enterprises transporting passengers and freight increased at a very fast rate, by 3,600 people, which is 40 percent of those acquiring new industrial permits. It appears that the relatively favorable and unique form of taxation--eliminating uncertainty and estimates--increased the entrepreneurial spirit and also legalized the earlier "black" carriers.

It is interesting, and worthy of note from the viewpoint of the future fate of the undertakings, that despite the opening of legal possibilities for other industrial and service activities people did not legalize the illegal activities, indeed, due to the increased rates and taxes industrial activity by pensioners declined.

It is also worthy of note that artisans formed economic work communities or became members of them in insignificant numbers. (Although the artisans forming economic work communities consider them a better deal they are holding on to their artisans' permits because of the uncertainty about the future of the economic work communities.)

Smoke and Fire

About 1,000 independent economic work communities--a new form of business possibility--were formed with an average membership of 4.5 persons. We do not yet have detailed data pertaining to the composition of their activity but we do know that 38.7 percent of the established economic work communities involve intellectual activities, 19.6 percent involve production activities and 41.7 percent involve service activities.

Public opinion--less aware of the professional opportunities--was quick to "attack" the economic work communities involved in intellectual activities, saying that they were not needed, they were not producers, and did not improve supply and services. And despite this they are pocketing fabulous incomes. In the majority of cases these work communities are carrying out important activities previously missing, even if there are bad experiences in some places. For example, some of the economic work communities formed to organize computer technology began their activities on "prestige" orders from the enterprises. This could make their longer range survival uncertain. But it is a fact that in general their bids were two-thirds or half the size of the bids by state organizational institutes.

Relatively few economic work communities were formed in the area of human services (education, theater, matchmaking, family assistance services). There are several reasons for this. In the first place the branch ministries still have not recognized in these undertakings the possibilities for sparing the state budget; and rather than supporting them, they are making their establishment more difficult. But it must be said objectively that the chief obstacle to these undertakings is the high capital intensiveness of the majority of the human services. In addition, the budget supports services in the state sector so with the present wage and pension relationship users cannot pay the economic work communities at market value. Despite this the development of human services is justified.

After a clumsy beginning the enterprise work communities--the most significant organizational form in terms of numbers involved--are spreading on both a national and capital scale. It is characteristic of their activity that they work primarily in production, as "background industry" for production. Their activity and the fact that the number involved exceeds the private sphere can be attributed to the fact that they are working with enterprise tools, usually for their own enterprises, so the risk and assets requirement borne by them are minimal. The dark sides of their activity are:

--enterprise production "swallows them up" and they hardly provide outside production or services directly for the populace,

--the extra income earned in the enterprise economic work communities, which in some cases can be attributed to deficiencies in enterprise organization, irritates those who are not members and who know well the internal relationships in the enterprise, and

--they make possible the legalization of supplemental overtime costs for producing enterprises which are not yet cost sensitive, but "only" sensitive to the wage regulations.

Just in the course of the past year the management organizations did not hand over industrial service sections or enterprise sections to artisans or independent economic work communities either on lease or for contract operation. This fact suggests that they are able to adequately operate at full capacity; at most, the populace may "feel" a greater or smaller shortage from time to time.

In Competition

It is still too early to talk about the effect of the businesses on the economy as a whole because the beginning was extraordinarily slow due to various irregularities at the beginning of the year and the majority of the businesses were established in the second half of the year.

Following the establishment of the new businesses competition developed in passenger transport which is referred to as the "taxi war." The reactions of the two large enterprises--Fotaxi and Volan--are instructive and even more worthy of note is the behavior of the private taxi drivers in the competition. For example, in a short time a discriminating signalling system was developed by those who wanted to keep their prices low (the "spotted" taxis), who made efforts to drive out those raising prices. Many demanded that the state maximize their prices and consider it just that they enjoy priority in buying cars, while many consider it proper to count on higher rates with better quality cars. No one can be proud of the behavior of those participating in the competition during the first phase. This proves that in decades past we have become unaccustomed to the behavior required by the rules of honest competition, that what we regard as natural in our economy is monopolies, that we regard this and not the possibility of choice as the natural order of the world.

Fixed Assets

It is a common characteristic of the economic work communities and artisan businesses that they are realized primarily in those areas where little (or no) investment is required. (The Taxi is an exceptional asset from this viewpoint, because at any time it can be changed into "only" a family car.)

This is also indicated by the fact that even in 1982 the National Savings Bank deposits of the populace increased. The lag in more capital intensive undertakings indicates uncertainty about their longer range fate. This can be felt among artisans also in a unique way; 0.5 percent of the artisans did not make use of the very valuable tax concession aimed at technical development. But it is also a contributing factor that the person with savings and the entrepreneur are frequently not the same person, and no legal credit possibility of satisfactory magnitude to bridge this gap has been created.

Because of the short time elapse one cannot draw far-reaching conclusions from the experiences thus far, but it is certain that one cannot expect greater entrepreneurial spirit or risk taking until the jobs of those undertaking the work are ensured, until mobility is minimal. Because of the progressive nature of the taxation the upper limit of the income which can be earned legally with the undertaings is around 12,000 forints. Neither the severity of the law nor the economic interest enforce or encourage the legalization of illegal activities (with taxes and Trade Union Social Insurance Center payments). And, finally, one cannot expect a change as long as the management organizations do not feel the economic necessity of adequately using their existing capacity or selling surplus machines and equipment.

8984
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FACTORS AFFECTING FARM INVESTMENT STUDIED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 8, 23 Feb 83 p 3

[Article by Dr Istvan Kapronczai of the Cooperative Research Institute: "What Kinds of Factors Stimulate Investments?"]

[Text] In the managing practice of agricultural producer cooperatives, a tension that is difficult to solve exists between investment possibilities and investment demands that are heated by growth efforts. In my studies at the Cooperative Research Institute it is for this reason that I sought for an answer to the question of what those basic motivating factors are which play a role in the investment efforts of the producer cooperatives. I took up these factors one after the other in my article, but I emphasize that the order does not necessarily signify any value ranking.

Greater Income

On the basis of the investigation it appears that investment is typical. (It is another matter that "economic viewpoints" are frequently based on personal intuition; these are not supported by reliable economic calculations, and thus cannot be considered purposeful activity.) At the same time, efforts directed at the increasing of income are not realized up to capacity, for as a consequence of the base-line view the farms are interested in increasing their profits, but only to a certain extent. This is shown by the fact that following a more successful year the better farms try to reduce the expected profit by the most varied means all the way from the year-end--above the plan--sorting out of obsolete equipment to prepayments. Naturally, this also affects the investment ideas of the cooperatives.

Income increases realized by investment means, however, are strengthened primarily by the constant rise in production costs. The rise in the state purchase price did not even out the rising cost inflation of recent years. Thus it naturally became the effort of the producer cooperatives to counter the narrowing of the income gaps by some means. To do this, they had essentially two possibilities: more efficient organization and the effect of investments on increasing income.

Income increasing effect of the investments may be realized in two ways: on one hand, the investment that expands production may make it possible to achieve an additional profit compensating for the profit reducing effect of the cost increase; on the other hand, cost-reducing investments have the possibility of countering the additional costs mediated by cost-reducing investments. Thus, investments may directly increase costs yet they may be cost reducing.

The study shows that concerning the two types of investments the emphasis is still on the ones that directly increase profit, and that the farms pay more attention to these rather than to the cost saving. This is somewhat understandable, because the possibilities are considerably smaller for cost reducing investments; in general these also have less purchase value. Moreover, the generally characteristic growth outlook does not favor the extension of cost-reducing investments, because it is difficult to explain to managers with an outlook like this why an investment should be implemented which reduces costs but does not result in additional production.

In the interest of a favorable enterprise image, political economics ranks social recognition as one of the most important goals defining enterprise management. My study verified the correctness of this thesis. The question is for what kind of managerial behavior can the farms or their leaders expect social recognition.

Unfortunately, it is clear from experience that although emphasis on production efficiency has become commonplace, the political inspiration for quantitative growth and the strong investment orientation linked thereto continues to survive. I have not encountered a single instance where a cooperative or its chairman has been honored or has been the subject of a newspaper article because of the establishment of a workshop or a storage base which made exceptionally high specific energy use possible for the machinery.

It appears that the "desire for more" and "creative strength" among many cooperative managers can be realized by the principle of "let us become as big and strong as possible." In one cooperative I even encountered a case where it would have been economically more prudent to do business as an association. Everyone acknowledged the economic justification for doing this. But the decisive argument was in the statement that "the production value of the association would not belong to the cooperative."

Pressure from the inside or the bottom is also a strong stimulus to growth. The workers' demand for work appropriate to their skills and knowledge and the general social atmosphere are also important incentives to create a will to advance. In an organization which does not grow and is even obliged to contract, these efforts are more difficult to satisfy than in an enterprise that is growing and expanding.

Among the investments that are stimulated by subjective factors, I shall mention "prestige investments" as the last type. These may come about, on one hand, as an initiative from below when the technical management applies pressure to obtain technical elements seen on another farm, but in general most of these prestige efforts are initiated by the higher leadership. Of course, these investments are also justified by "economic viewpoints," but actually these do not form the basic argument. Such prestige investments may be of many kinds. Among the farms studies, the most characteristic instances were the following: an excessively large "luxury" restaurant built in a small village; retail of wine by the producer; the maintenance or development of a favored sub-branch.

Acquisition of External Resources

We may judge as natural the effort to include external resources (support and credit) in investment financing. But an absurd situation develops if the acquiring of the external resources becomes the main justification for the investments. In essence, this indicates that the means and the goal have been interchanged and that in order to acquire development possibilities the farms are ready to develop "anything" without regard to whether these coincide with actual farm interests or not.

Beginning in the second half of the 1970's, economic research also recognized the effort of the farms, with the narrowing of development possibilities, to avoid giving up their development ideas, and by adjusting to the altered circumstances to seek for other possibilities to carry out their efforts.

At the same time, the view is beginning to gain ground that with the reduction of the role of the support system this trend has also been restrained. But my investigations clearly showed that it is not a question of this but of the fact that farms are trying to maneuver between the more narrow support limits, and are concentrating greater energy on the gaining of credits. In some of the producer cooperatives the investment decision is still "made on the basis of the gazette and credit policy guidelines," that is, what emerges from the investment priorities as conceived is something for which support or credit can be obtained.

This trend might seem to promote a utilization of resources coinciding with economic goals. Actually, however, the demand for external sources is supported by economic calculations of doubtful value. Thus the actual economic interests and the economic criteria frequently do not coincide.

Other Incentives

Among the factors which motivate investment activity, it is also necessary to mention those which have an effect on the marketing side. And here, too, it is not primarily a question of whether the farms are reckoning with the possibility of marketing the goods to be produced with the new investment but rather of what kind of supplementary investments are needed to improve the market security of the products already produced.

In certain sub-branches, overproduction is in evidence from time to time on the Hungarian market. Such sub-branches have included in the recent past apples, potatoes, eggs, certain vegetables, and so forth. The market security of some of these can be increased only if it is possible within the cooperatives to develop the vertical production of a given sub-branch. Thus nowadays it has been vitally important for farms specializing in a sub-branch and struggling with many marketing difficulties to create the fixed assets necessary for storage and processing, which involves a considerable purchase price.

The demand for eliminating manpower concerns may also stimulate investment efforts. There may be two kinds of manpower problems within the cooperatives. Districts still exist in the country where maintaining full employment throughout the year requires serious economic efforts. The direction of these efforts in recent times has been for the creation of auxiliary, nonagricultural activity.

The problem of realizing full employment, however, is being forced into the background behind problems caused by manpower shortage. Those investments are becoming more and more characteristic which seek to replace live work with mechanization (for example, the mechanization of harvesting and the transportation of materials); or when building various kinds of student camps and workers hostels outside manpower is hired for peak work periods.

Investments for environmental protection in general are still lacking in the producer cooperatives.

At the same time for some districts in the country, environmental protection is of serious importance. These districts are generally found in exposed places: near recreational areas or in the neighborhood of wells providing water for big cities. Here the environmental protection rules are strict.

As is the case with the environmental protection investments, replacement investments are not inspired by growth demands either. However, they must be mentioned, for the obsolescence of fixed assets also stimulates investments. Moreover, replacement investments make up an increasingly greater share in the producer cooperatives.

As a consequence of a one-sided growth orientation in the cooperatives, the neglect of replacement investments is still characteristic. Their sub-branch effects are also noteworthy. It is to be feared that in the cooperatives, too, those responsible for making the environmental-technical decisions could indeed be faced with the cumulative effects of neglecting the replacement investments.

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COMMENTARIES ON OFFICIAL 1982 PLAN FULFILLMENT REPORT PUBLISHED

Andrzej Leszczynski in 'TRYBUNA LUDU'

Warsaw TRYBUNA LUDU in Polish 12-13 Feb 83 p 9

[Article by Andrzej Leszczynski: "In the Aftermath of the GUS [Central Office of Statistics] Report--Difficulties and Hopes"]

[Text] Many of our readers probably remember how closely we observed the sold production indicators last year. During the first 8 months the indicators were negative. We kept retreating, even though the process was becoming slower and slower.

Martial law brought rigors and hardships into our lives but it also created conditions for disciplined, honest work. Its rhythm, however, was disturbed by the raw-material shortages. As a result of trade restrictions with our country applied by some western countries which followed the U.S. example, we were cut off from our traditional sources of raw-material supplies. In this situation the help extended to us by the USSR and other socialist countries was of great significance.

The turn that took place in August was not spectacular, but it was significant. For the first time in over 2 years the monthly sold production level was higher than a year ago. In August 1983 the level was 1 percent higher than in August 1982. But shortages from the first half of the year still had their effect. However, the months that followed brought higher and higher surpluses. Now this concerns the processing industry as well, in addition to the mining industry.

According to the GUS report, during all of 1982 the value of industrial production was 2 percent lower than in 1981. Let us remember that in January it was 13 percent lower. Thus, this is the rate of progress. However, the progress is relative since it is considered as such in comparison with 1981--the crisis year. When compared with a good year, such as 1979, the sold production value was 16 percent lower last year.

The sold production value was 2 percent lower than in 1981. However, the delivery of goods to the market to be sold in stores was 10 percent lower. This is a considerable shortage since at the same time, and especially in the second half of the year, the population's income increased 63 percent. The disproportion, whose are currently a subject of heated discussions, became a source of well-known market perturbations. The amount of money that has been put away out of necessity (so-called inflationary curve) siphons almost all sought-after staple goods out of the market. Thus, reduced reserves do not ensure market balance.

Concerning agriculture, the situation is not favorable from the market point of view. Although harvest and grain yields increased as compared with 1981, the total agricultural production value decreased 4.5 percent (crop production value was 3.5 percent lower and animal production was 5.8 percent lower).

The GUS report shows how variable were trends in breeding and how slowly rural areas acquire necessary production means.

The results achieved in housing construction are not optimistic either. According to the table presented in the report, almost 5 percent less of state apartments and almost 10 percent less of cooperative apartments were built. However, private construction increased. This is a positive occurrence. But for many people the road to their own apartments is still very long.

The investment front has been significantly limited. Last year the construction of 1,500 buildings was halted. But, at the same time, new mines, power units, chemical plants, and many services facilities were completed. But will there be enough resources to protect national property from depreciation? This is an important problem.

Significant changes took place in the area of foreign trade. Although last year the production level was lower than in 1981, the export of goods increased. This concerns mainly coal, but products of electric-machine-building industry and chemical and food industries are also included.

The results of restrictions imposed by western countries were alleviated by a growing turnover with the USSR and other socialist countries. This shows clearly a reorientation in the conditions of our foreign trade toward socialist partners. It is important to note that last year we achieved positive balance in the goods turnover with capitalist countries for the first time in 9 years.

This was not a static year. Each quarter was different. The GUS report confirms and documents all events that we experienced daily: shortages, difficulties, and problems with which Polish families were burdened. However, at the same time, the report shows that there is a break in the clouds. It shows growth trends and the shape of hope.

Karol Szwarc in'ZYCIE GOSPODARCZE'

Warsaw ZYCIE GOSPODARCZE in Polish No 8, 20 Feb 83 p 3

[Article by Karol Szwarc: "In the Aftermath of the GUS Report--The Stake on Market Production"]

[Text] The evaluation of last year's results should not be one-sided. The decline was stopped in some areas earlier than many economic experts and institutions predicted at the beginning, and even as early as in the middle of the year. At the same time, however, unfavorable events took place along with the signs of recovery. In many sectors the results were far from those we needed and expected. That is why the public views the 1982 results with a considerable dose of scepticism.

The standard of living decrease has been taking place for quite a while. However, it manifested itself very forcefully only last year, since it was cushioned before by the decrease in resources. The drop in real income value would be much easier to accept if clearer signs of normalization were present concerning the market situation. However, except for state-controlled goods, it is difficult to see those signs in stores.

Concentrating on Structures

Undoubtedly, mining industry was the first to recover. Almost from the very beginning of 1982 its production was higher than the year before. More mining of raw materials, especially coal, created more favorable conditions for processing industry and counteracted further deterioration concerning imports-based supplying of the economy. Concerning processing industry, the decline was stopped later, mainly as a result of supply shortages. Only as late as last September the processing industry's production level became higher than that achieved during the same months of 1981.

Undoubtedly, the surplus of import over export in the exchange with the USSR, as well as credits awarded us by that country, significantly contributed to the increase in the production of processing industry. A stream of goods came from the Soviet Union based on very favorable terms. Supply goods increased and capital goods decreased much more so now than in the past. This, by the way, caused a lower rate of the increase in imports over exports since the size of contracts was considerably limited in the capital goods area.

Concerning trade with capitalist countries we achieved a surplus of exports over imports for the first time in many years. However, import limitations (a 27.4 percent drop in imports) made greater activating of production difficult, mainly concerning processing industry.

As a result, sold production of the state-run industry was 2 percent lower as compared with the production implemented in 1981. An 11-percent increase was achieved in mining industry. However, a 3-percent drop was noted in processing industry. The production structure deteriorated. The effects of this were felt more strongly in the market supply area. Retail sales, after eliminating estimated price increase, was 17 percent lower. Retail sales of nonfood goods were 21 percent lower.

The domestic market situation was "saved" by agriculture. The share of food in purchases increased from 29 percent in 1981 to 35 percent in 1982, even though its sales were 16 percent lower. This took place as a result of a decrease in the total agricultural production. Concerning crop production the drought affected potato and fodder crops. However, grain crops were higher. Procurement of cattle and hogs for slaughter was the same as last year's. At the same time, however, unfavorable fodder situation resulted in limits on animal breeding and a decrease of the basic flock and especially hogs, in some farms.

In industry the effectiveness fell lower than it would be justified by the production decrease. The net production was 6 percent lower, while the sold production was 2 percent lower. The materials-and-energy effectiveness increased (the electric energy production was 2.2 percent higher). The quality deteriorated. For example, the number of products marked with "Q" and "1" quality signs decreased to 26,900 in 1981 and to 20,800 last year. Although the number of industry employees decreased (5.3 percent), employment was based on social considerations in many cases. Some plants struggled, however, with insufficient employment problem (especially directly in production).

Production and effectiveness decreases in the main sectors of the economy caused national income to decrease last year. Distributed national income decreased more than generated national income. In 1982 a significant decrease in both income and real wages also took place. This was a result of a lower rate of material production and imports. A drop in investments, greater than that in consumption, served as a buffer to some degree.

Flight From Money and Inflationary Curve

Despite a considerable increase in retail prices we did not manage to restore financial-market balance last year. This happened because the production increase in market goods was not high enough and there was an increase in the population's nominal income.

We were faced with two parallel problems. There were signs of flight from money, such as a higher rate of increase in expenditures than in income. At the same time, there was a 12-percent surplus of the population's monetary income (as compared with expenditures). This resulted in the so-called "inflationary curve."

In some units a decrease in deliveries of goods for market supplies is still felt strongly by the whole society, even though the market is calmer now.

In addition to a drop in the living standard and an imbalance in some units between supply and demand this is caused also by differences in emoluments in various sectors of the economy and the industry that are not sufficiently justified by the amount of market deliveries. The situation characterized by a growing pressure to keep increasing nominal wages has been caused by substantial and differentiated price increases of market goods, considerable and varied decreases of market supply deliveries concerning industrial subsectors, and changes in the rate and size of wages in subsectors.

An increase in the development rate for mining industry at the beginning of the year, followed by the emolument growth rate, resulted in the appearance of purchasing power. It is a characteristic of this industry that the purchasing power creates deliveries of market goods to a lesser degree than it is the case with the processing industry. These phenomena are shown and evaluated in both the table and information below. Thus, the income structure is a significant factor of the domestic market situation and growing inflation, independent of many other factors.

Tasks for 1983

The main economic task for the coming years is a gradual return to a balanced economy. This is the basic condition for both coming out of the crisis and effective functioning of such an important innovative undertaking as the reform. That is why all moves aimed at getting rid of inflationary phenomena are of the greatest importance.

The domestic market will have the most difficult situation from this point of view this year. We cannot count on a significant supply improvement in this respect. This is linked mainly to a decrease in the supply of agricultural raw materials for food industry. This gap would be difficult to fill even with slightly higher import deliveries either for agriculture or directly to the market.

Thus, it is doubtful that it will be possible to stop price movements at the 15-16 percent level. There is no indication that the inflation gap would be smaller than last year's. Society's pressure for increasing wages continues. Enterprises have resources for increasing emoluments. The change in FAZ [Vocational Activization Fund] linking allowances to production increases may have a positive influence on market balance only on the condition of implementing structural changes. These changes should be directed at increasing market deliveries. Otherwise a recovery in enterprises that manufacture production means will die out, mainly because the incentive of an increase in nominal emoluments has been disappearing.

Thus, in addition to being a production issue, a stake in increased supplies of market goods is becoming a social issue for enterprises, as well as for the central administration. This is because in present conditions the feedback from social to economic balances and viceversa, is especially strong. Without one there cannot be the other.

That is why pressure on market production is so strong. This is in spite of full awareness that we cannot solve the problem of market-monetary balance this way. It will be also necessary to implement price changes, discipline incomes, increase budget savings, etc. However, if fisual gains, at least, do not appear at the market, and if the promised "crusty rolls" do not appear, it will become even more difficult for people to accept other actions aimed at counteracting inflation.

The problem of market production has been noted for years. Many remedies were tried. For example, directives were issued to divide tasks into market, export and supply productions. This did not accomplish much, and the situation of industries producing market goods deteriorated. It is true that a drop in the production structure was not noted for group B. However, during the 70s deliveries from group A to group B decreased every year. This problem surfaced with all its force during the crisis. The supply gap of consumption industries was then covered by imports. Thus, foreign trade imbalance manifested itself more strongly in the consumption goods production.

It is impossible to have only one total measure in order to distinguish between market production and production for exports or supplies. That is why it is now important to observe closely causes of either a drop or a halt in market production. But it is not enough. Central and field authorities, as well as industries manufacturing production means must help consumption industries. A specific program should be designed to this effect, as a part of anti-inflationary activities.

The truth that has been accepted by public consciousness regarding agriculture, i.e., that its production results depend mainly on foreign supplies, should be also accepted concerning market production. The delivery of both supply and investment goods mainly to food and light industries, as well as increased employment in those subsectors, have to become a social priority.

As we know, the reform is an instrument for implementation of specific socioeconomic objectives. Because anti-inflation activities constitute such a priority objective, instruments for assisting in these activities must be implemented within the reform's framework. These mechanisms could, undoubtedly, include reductions of FAZ payments for industries producing for the market. In cases when the wage increase coefficient grows faster than the production increase in such industries as light and food industries, we should remember that every zloty spent on wages can result in market production that is many times greater. This is so especially since in those industries the lack of employment caused by relatively low wages, is often the stumbling block on the way to production increases. Thus, in those industries, wage increases would be a significant anti-inflation instrument, even though it seems paradoxical.

Regional authorities could also effectively work toward an increase in market production through such actions as giving work forces of plants belonging to consumption industries a priority in using social services.

With scarcity of all anti-inflation means and, in some cases, their deficit-causing results, activities on behalf of the market should also include all proefficiency activities covering the whole economy. This concerns especially the activities aiming at a decrease in materials-and-energy intensiveness of production. Savings of both materials and energy have key significance for the foreign trade situation. If we use up less, we can assign more either to exports or, with lower imports, more foreign exchange resources to market industries and supplies for agriculture.

The savings of materials and energy planned for this year are very small from the point of view of balance. Therefore, their implementation could be seen as a realistic objective. However, it is questionable whether this objective is indeed realistic. The examination of the economic instruments proposed for this year shows that they are not directed to this sensitive issue strongly enough. Thus, the issue requires changes concerning the whole set of reform-oriented activities. After all, anti-inflation activities do not consist only in wage and price regulations, but also in stopping inflation generated by industries manufacturing production means.

9959
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ECONOMIC REFORM COMMISSION REORGANIZATION ANNOUNCED, QUESTIONED

Official Press Release

Warsaw RZECZPOSPOLITA in Polish 24 Mar 83 supplement p 1

[Announcement issued by the Secretariat of the Economic Reform Commission and dated 9 March 1983]

[Text] In view of the fact that their work has been completed the following Commission task forces have been dissolved:

Task Force I (for Organizational Structure of the Economy);

Task Force II (for Planning);

Task Force III (for Economic-financial Systems).

At the same time, in response to the requirements of the current phase of the reform's imple entation, five new task forces were formed which, among their other duties, have taken over those functions (as revised) that used to be the responsibilities of the task forces which were dissolved.

1. Task Force I (new) for the Organization and Functions of Central Planning Agencies and Management of the National Economy--chairman: Professor K. Doktor,

2. Task Force II (new) for Countering the Spread of Monopolistic Practices in the Economy--chairman: Professor J. Foscinski,

3. Task Force III (new) for Business Enterprises--chairman: Z. Malicki,

4. Task Force IV for the Organization and Performance of the Marketplace--chairman: M. Struzycki,

5. Task Force V for Capital Investment Management and Institutions--chairman: Professor W. Bien,

6. Task Force VI for Agriculture and the Food Industry--chairman: Professor E. Mazurkiewicz,

7. Task Force VII for Sales Management and Materials Management--chairman: Professor Cz. Skowronek,

8. Task Force VIII for Foreign Trade Management and Operations--chairman: Dr. St. Dlugosz,

9. Task Force IX for Local Public Administration and Business Activities--chairman: Professor M. Zawadzki,

10. Task Force X for Self-management and the Legal Foundations of the Economy--chairman: Professor L. Bar,

11. Task Force XI for Product Quality, New Product Development, and Production Control--chairman: St. Lis,

12. Task Force VII for Small-scale Manufacturing--chairman: M. Wieczorek,

13. Task Force XIII for the Social Services Sector--chairman: Professor A. Lukaszewicz,

14. Task Force XIV for Fuels and Energy Producing Industries--chairman: Professor K. Kopecki,

15. Task Force XV for the Construction Industry--chairman: Engineer Teresa Nitkiewicz,

16. Task Force XVI (new) for Transporation--chairman: Professor M. Bajon.

ZYCIE GOSPODARCZE Editorial Reaction

Warsaw ZYCIE GOSPODARCZE in Polish No 14, 3 Apr 83 p 2

[Commentary by M.K.]

[Text] Since 9 March the Economic Reform Commission has been discharging its duties with some new personnel and a restructured organization. The need to update the membership roster was cited as the reason for the personnel changes. For some time now some members have not been playing an active role in the Commission's work on the reform. Others were invited to attend Commission meetings as guests, while some others served by offering their advice as consultants, e.g., professor J. Goscinski who worked for the "Number Nine" task force and published his ideas in ZYCIE I NOWOCZESNOSC. By decision of its senior officials the following persons were appointed to the Commission: engr Teresa Nitkiewicz, professor Janusz Goscinski, professor Kazimierz Doktor, and docent Leslaw Wasilewski. It was also acknowledged that in the present phase of the reform's implementation, when some problems have already been resolved and new problems are cropping up for which solutions need to be found, the profile of the task forces which makeup this pubic body needs to be changed.

The Commission's presidium dissolved three task forces, i.e., the task forces for Organizational Structure of the Economy, for Planning, and for Economic-financial Systems. The members of these task forces made contributions to, among other things, the drafting of legislation on planning and state enterprises.

OPINION RESEARCH CENTER DIRECTOR VIEWS FUTURE ACTIVITY

Warsaw ARGUMENTY in Polish No 5, 30 Jan 83 p 3

[Interview with Col Stanislaw Kwiatkowski, assistant professor, doctor and director of the Public Opinion Research Center; interview conducted by Bronislaw Tumilowicz: "Opinions are Always Someone Else's"; date and location not disclosed. For previous interviews with Col Kwiatkowski, see "PUBLIC OPINION RESEARCH CENTER DIRECTOR INTERVIEWED" in JPRS 82803, No 2103 of this series, 4 February 1983, pp 74-77; and "OPINION SURVEY CENTER DIRECTOR VIEWS TASKS, METHODS" in JPRS 82961, No 2112 of this series, 28 February 1983, pp 41-43.]

[Text] Tumilowicz: Colonel, What changes in public opinion are anticipated in 1983?

Kwiatkowski: Without sufficent analysis, it is difficult to anticipate with academic honesty. In the center, a group dealing with long-range public opinions will occupy itself with something of that sort and particularly the prognosis section that began its work only this month. Studies of this type require the highest qualifications, the best of professional preparation. There is already someone to whom I wish to delegate the launching of this unit. In the future it would be well to attract the cooperation of a larger group of individuals--on the basis of conversation or similar form--to at least provide an organized opportunity for the flow of ideas. My thoughts turn to "Posteor" in the humanities.

However, I can relate my opinions on this subject. There is ample evidence that we continue to improve. There are guarantees of this--both statutory and systemic. In a certain sense, a guarantee-although not the most important-important--will be the center itself. Something which has not yet occurred. Something ever so essential to both the public and state management. In time, the wisdom that we have acquired during the course of the past 2 years will begin to bear fruit. After all, we have behind us an accelerated course of political thinking.

Tumilowicz: You mentioned the cadre matters. Has personnel already been decided upon?

Kwiatkowski: Not yet. These matters are most important to the center. I personally canduct cadre interviews and select people with care. They will determine the shape and future of this institution. Even too many volunteers apply, but not to the extent indicated in the illustration--in the Polish Scouts' Association [ZHP] weekly MOTYWY magazine. In October, MOTYWY featured the picture of a girl on the front page with a sign on her back: "I am seeking a reasonable employer--sociologist." I called the editor's office as an employer in search of "reasonable sociologists." It ended on a note of politeness with an explanation that only the girl on the picture was genuine--the rest being only an illustration for the article.

To be sure, as far as I have seen, sociology has become a feminized profession and many sociologists work outside of their specialty, but again there are not so many in search of work.

Tumilowicz: Recently opinions and views regarding a basic philosophy of life have made themselves strongly known to us. Does the Center also intend to take them into consideration?

Kwiatkowski: If we are now to discuss matters dealing with a philosophy of life, I would like to begin with a certain thought. Very often and almost always then when it concerns philosophy of life indoctrination, these questions are resolved in terms of religion exclusively. In some older publications, the materialistic outlook on life identifies with scientific atheism and philosophy of life indoctrination with antireligious activity. It is my opinion that in every instance it is necessary to reject such simplification as inconsistent with the spirit of marxism. A scientific philosophy of life embraces ideological-political, sociomoral and ontological issues. The issues of religion should not be advanced to an undeserving first place. Following this reservation, without fear of being misunderstood, I can already express the view that opinions one way or the other, in some degree or other, always have their own basic philisophy of life.

If, in formulating a question, you have in mind the activity of the church and the open religiousness of some faithful citizens, it is worthwhile to remember that these facts began to intensify in specific situations and under specific social conditions which stimulated such behaviour. With regards to church policy, as it appears, there was too little dialectic. I shall expatiate on this. It is of concern to me that the key ideological issue for the Polish United Workers' Party is the review of the working class' status against a background of other classes and strata, and the monitoring of the implementation of labor interests but not beyond, nor likewise against the interests of other classes and strata, but through those other classes and strata in such a way as to gain the good will of all and adopt everything that can enrich us morally and materially. Such a point of view is necessary in relation to private initiative, handicraft, the villages, allied political parties, as well as the church. The whole problem lies in how to reconcile various inconsistencies. Such great changes occurred in the social doctrine of the church, that as the example of the Patriotic Movement for National Rebirth points out, it is not a difficulty that cannot be overcome and that because of the above mentioned reasons, can be satisfied.

Tumilowicz: Will the results of the research be published?

Kwiatkowski: All western journalists start with that question.

Tumilowicz: Have you already granted any interviews?

Kwiatkowski: No. They pursue the sensational but what can be sensational here? Can the fact, that as a society we are rather unique today, be a revelation to anyone? I always say, just as I do to you, that it is too early for interviews. But the results of the research must be published because a knowledge of the public position on the matter is necessary and not only that of the authorities. The center is to also serve the public in the sense of "knowledge about itself." We want our endeavors to have an educational character in every way.

Finally, what I say is not revealing: that "the state is the consciousness of the masses, is a statement that belongs to the ideological alphabet. If the masses are aware of everything, they will render a conscious judgment."

Tumilowicz: You mentioned that we differ. Therefore, is operating with an understanding of Polish public opinion generally basic?

Kwiatkowski: Relying on the opinion of the "general public" or "all Poles" proved to be as inaccurate as proclaiming "national moral-political unity." The use of such terms consequently led to slighting those who are most important in this society--the workers.

The opinions of people are subjective but objectively reflect their social status, social circumstances; this is also why in societies with class distinctions, and to which we still belong, views on many questions are coated with class and group divisions, especially when the subject of the statement are those matters infringing in one way or another upon social, material or spiritual interests of the people under questioning.

Naturally, on many questions, the majority of citizens can be unanimous; for example, if they pertained to a threat to national existence or problems of national consequence, those which qualify for a general referendum. I wish to state that by studying public opinions for the use of the socialist state, we must be aware that views, ideas and the opinions of people spring from actual public relations. Public relations create those ideas and views and manifest themselves in them.

Public opinion always reflects public reality only. Certainly, this is not a plain, shining reflection. Many various modifying factors come into play. In this respect, it is the role of the sociologist to define the essential and variable ones and reach realities like these, such as they are. In any event, the explanation itself of what people think about some topic will not suffice.

I shall attempt to illustrate this: in a letter to the center, Mr. Alexander Czepulkowski from Swiebodzin, relying on the opinion of his community, feels that training priorities--this pertains to additional wages--should only apply to a certain age limit or training. According to him there should be pay for work and not for training, but it is known that from a certain age limit, the older the person, the less is his psychophysical efficiency.

In another letter, an anonymous citizen from Zielona Gora, complains that such a considerable leveling of wages occurred--that only training allowance decided the difference. "Nowadays there is no respect for experience, loyalty to one's place of employment, conscientiousness, diligence, accuracy and reliability in the performance of duties, (...). At present rumors are flying--gossip--this citizen writes that allowances for job training will be completely eliminated because this only further discriminates against the level of wages in favor of long-standing employees, but for all the young people whose only concern is the elimination of these differences, this is a bone of contention."

For just that reason we intend to reach specific communities, professional groups, but not to formulate opinions of these at all. Opinions are specific--always someone else's.

Tumilowicz: Do you regard letters as very reliable sources of information regarding public opinion? People, writing to various institutions, constitute in my opinion--a none-too-representative category of the whole of society. Here one finds many pettifoggers, graphomaniacs. The problems connected with letters concern personal and individual matters which are treated very prejudicially and subjectively. Letters relating to issues of social significance constitute a small percentage. I think that a true gage could be a number of letters sent in various time frames as evidence or a signal of the increase in certain moods, frustrations, unrest, growth or decrease of confidence in the government. An analysis of the contents of letters appears to be of more interest to the journalist than to the scholar.

Kuwiatkowski: I have a different opinion on the subject. Quite a few important sociological studes were written, based on the diaries of (for intance emigrants, young farmers); it suffices to refer to the classica contributions of Prof Florian Znaniecki and Prof Jozef Chalasinski. Correspondence is not at all inferior material for serious study on the status of public awareness.

It is certain that a letter is a very personal form of expression. Various people write about various affairs, most often those that concern them: someone is being wronged and awaits assistance; something irritates people there and they write in order to alleviate themselves or usually signalize some, in their opinion, important social problems they wish to prompt, help, draw attention. We keenly analyze, characterize and file all letters. And we are very particular about all of them: about those with complaints and also those more comprehensive, problematical--we call them public, that means the type in which important issues are raised and commented upon in a given community; those with which people live, which irritate or please them--which are linked with the future. This is an important source of information for us.

I add to this that we do not directly conduct any acts of intervention: we cooperate with the Council of Ministers' Departmental Bureau of Complaints and Letters to which we direct the letters of complaint.

Are the letters representative? Individual issues cease to be individual when they occur with frequency; are a sign of growing problems of general public significance, demonstrate the need for some type of decisions, changes and others. The letters thus treated fill a heuristic function, aid in discovering new truths and by presenting and verifying hypotheses, are decisive material for other research, for example public opinion surveys. It is my contention that it is possible to reconstruct an opinion using the mosaic technique of arranging a picture from small pieces of unique forms and colors. Therefore, we wish to analyze the subject matter of every survey from various points of view.

You have stirred up a further argument--so something more regarding the institution of complaints and letters on a national scale. The offices of complaints and letters function in practically every central department of party and national government: in the central committee of the PZPR, in the Sejm; in the National Council; in the office of the Council of Ministers; in the office of the chief public prosecutor; in the supreme chamber of control; in the supreme court; in ministries. The newspaper and periodical editorial staff have adequate office space. There is an avalance of letters.

Millions of citizens during the year express themselves in writing on various questions--and then what? They are treated as petitioners. Later official reports follow: who, how many, about what, etc. Whatever fragments are more meaningful or piquant are selected--and that's all.

Still these letters are not analyzed the way they could be. A systemic approach on a general national scale is necessary with a uniform description (measure) for very letter, perhaps with central registration (after all, one citizen with an antagonistic disposition can now without justifiable cause monopolize several institutions, as well as many officials).

Having such statements compiled, coded and recorded in the computer's memory bank, one can retrieve information "on a topic" at any time. It is worthwile to pursue this. Perhaps one should start by meeting with the directors of those bureaus. I know that Col Marian Kot, the new director of the Bureau of Complaints, Letters and Inspection of the CC PZPR, has such intentions.

Tumilowicz? I noticed in a diagram of the organizational structure of the center's letter department, a separate cubicle, "telephone answering service." can the telephone serve as a public opinion Gallup poll? Who answers the telephones here and has time for calls? At the very most bored officials, bored retirees and unemployed wives. Unfortunately, employees in large industrial plants standing by their machines or toiling underground have no access to a telephone nor the time to call the Public Opinion Research Center [CBOS]. Besides this, the automated telephone network in fact covers only provincial cities. The telephone provides too little traffic as a safety valve.

Kwiatkowski: I understand your apprehension. No, we have no intention, as is customary in the U.S. to select research candidates at random from the telephone book. Simply, those who do not prefer to write letters can telephone the center. Our specialists will be on duty from 9 to 19 hours at 213-434. This provides an additional opportunity--both for us (to reach the public) and for citizens (to establish contact with the center).

It is even possible to call, if one does not have a telephone, from work or from a telephone booth in town, etc. The telephone idea evolved from a desire to reach those who are silent, passive, indifferent. I anticipate that when something annoys them, they may want to phone and perhaps later, even write. When the occasion arises are address is: Center for Public Opinion Research, ulica Zurawia 4a, 00-503 Warsaw. After all, it would be desirous to induce people to do something unselfishly so that activity and sensibility could have public motivation and could be expressed spontaneously without official or organizational efforts.

Tumilowicz: I wish you much success and I thank you.

9951
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ADVANTAGES OF INDEXING WAGES TO INFLATION RATE CONSIDERED

Warsaw ZYCIE GOSPODARCZE in Polish No 8, 20 Feb 83 pp 1,6

[Article by Mieczyslaw Kabaj: "Indexing Cannot Be Overlooked"]

[Text] The numerous controversies about indexing wages make it necessary to define its characteristics, advantages, and disadvantages. One thing is certain--it is not possible to ignore and overlook the problem of indexing, since inflation is continually reviving it. Even if we reject this undertaking, indexing will function on its own.

The increase in prices is resulting in an erosion of real wages. There are many possibilities of protection against this erosion. In very general terms, one can state that the condition for protecting real wages is an increase in the supply of goods and services, and an increase in nominal wages--equal to or more rapid than the increase in the cost of living.

The increase in nominal wages can take various forces. It can occur in an integral manner, through the natural mechanisms of the so-called payment of productivity, higher rates for individual classification, higher bonuses, etc. Then the increase in wages is selective and differentiated in nature, and protects the real wages of individual workers or professional groups to differing degrees. This obviously depends on their individual possibilities, an increase in productivity, an increase in the enterprise's profits, etc.

A second method for protecting wages and real incomes can be automatic or mechanical in nature. This method is defined in different ways, most often as indexing wages, compensation for increased living costs, a revalorization of wages, or as a system for adjusting wages to an increase in living costs.

A common feature of all of the above definitions is the automatic way in which wages are adjusted to the increase in prices and living costs. Regardless of whether wage indexing assumes the form of a percentage increase in wages in proportion to the increase in an index of the prices of consumer goods, or the form of a lump-sum compensation, or whether its principles are established by the government or are the subject of collective agreements, wage indexing always has a mechanical and unconditional nature, and covers all workers who have obtained a right to it, regardless of the results of their work.

From the Experiences of Other Countries

Indexing already has a history of almost 50 years. There is no country in which it is the sole or exclusive means of increasing nominal wages and protecting real wages. It is only one of the elements in the formation of nominal emoluments, and one of the means of protecting real wages. Among other things, this is a result of amny years' expereince in the use of indexing in the developed capitalist countries. It is worth while to become acquainted with this experience.

From the point of view of the scope of the use of indexing, one can distinguish three groups of countries: those which do not indexing at all (Austria, West Germany, Japan, and Sweden); those in which indexing is used extensively (Bulgaria, Denmark, Italy, the Netherlands, and Luxembourg); and the countries which are indexing in part and with a limited scope (France, Canada, the U.S., Switzerland, and Great Britain).

It is estimated, for example, that in the U.S. indexing only covers 10 percent of those employed outside of agriculture. In Switzerland, over half of the collective agreements contain a clause on indexing. In Canada, in 1975 41 percent of the collective agreements contained such a clause (1).

The concept of "indexing" suggests a simple and proportional increase in wages commensurate with the increase in the index of living costs or of the increase in the prices at the consumer goods purchased by the public. In fact, this concept has a conventional content. It denotes only the mechanical linkage of the increase in wages to the increase in prices; the means and methods of this linkage, however, differ greatly in different countries.

The most universal basis for indexing is a general (average) index of the increase in the prices of the goods and services purchased by the
In some countries, this index is different for different regions or cities. Taking this into account, some collective agreements allow the possibility of using regional indexes, although this is not often the case. In general, the basis for indexing is the official average index, published by statistical offices.

More and more often, certain consumer goods, energy, and imported fuel are extracted from the indexes of the increase in living costs.

Also extremely differentiated is the approach to the subject of indexing. Usually, however, three different methods are used:

The rate of the basic wage, frequently the minimum wage, is subject to indexing. The amount of compensation is established on the basis of the lowest rate, and it is identical for all rates. In Canada and the U.S., the formula most frequently used is increasing the annual rate by 1 percent for every 0.3 or 0.4 percentage points in the increase in the price index. This means an identical increase in all annual wage rates, regardless of the category of classification. A similar system of an identical amount of compensation is used in Denmark and in Italy. An equal amount of compensation thus means inequality, since as the category of classification increases, the sphere of the compensation in the rate of the basic wage decreases. As a result, this leads after a certain amount of time to a decrease in the range of wages.

Indexing is limited to the minimum wage. This principle is utilized in France. The use of indexing for other higher wage rates is virtually prohibited.

A system of proportional indexing, relative to all wage rates, is used. Then indexing does not bring about a change in the range of basic wages. Frequently, however, a wage ceiling is established, and after it is exceeded proportional indexing is not used.

It is also essential to define the threshold or frequency of indexing. The threshold from which indexing begins to be used is also established in different ways; for example, in Belgium it amounts to a 1 percent increase in the price index; in Italy, 1 percent; in Luxembourg, 2.5 pereent; and in Denmark, 3 percent. When the index crosses the threshold, indexing is automatically brought into play. If the threshold is not defined, then usually indexing periods are established, for example once a year, twice a year, or more often, if prices rise quickly. For example, in the U.S., where indexing systems are extremely differentiated, for nearly half of the workers (among those whose wages are subject to indexing), indexing is applied once a year, for 39 percent, on a quarterly basis, and for the rest, twice a year. Semiannual indexing periods are used in Australia, Belgium, and Denmark.

Recently, the principles of wage indexing were the subject of a session of the Council of Ministers of the EC. These problems were discussed from the point of view of the effect of wage indexing mechanisms on inflationary processes. Several recommendations were adopted which were aimed at modifying the operation of these mechanisms, without questioning the basic principles of indexing itself. Among other things, it was decided to recommend to the EC member countries that they not use wage indexing more often than twice a year; the extent of indexing should be limited to an agreed-upon level of the increase in living costs. These principles, in the opinion of the EC Council of Ministers, should also apply to other types of income, such as annuities and pensions.

In the literature on the subject of indexing, some people maintain that it is the basic factor driving inflation. This position was adopted by the Council of Ministers of the EC (2). Other people assert that the increase in nominal wages occurs regardless of whether indexing is applied or not. In the opinion of this group, indexing does not have a direct effect on inflationary processes. It is only an attempt to prevent the consequences of inflation in the sphere of people's wages and income, an expression of acknowledgement that the economy is inflationary in nature and is giving rise to a need for automatic protection of real wages, especially those of groups of people who do not have any other means of increasing their incomes.

Comparative analyses of the increase in nominal wages and the prices of consumer goods, however, do not confirm the theses regarding the effect of indexing on inflationary processes. The results of a comparative analysis are shown in the table.

Average Annual Increase in Nominal Wages, the Prices of Consumer Goods and Services, and Real Wages in 1971-1980

	average annual rate of increase in 1971-1980		
Groups of countries	Nominal wages	Prices	Real Wages
Automatic indexing	13.5	9.3	3.3
Belgium	12.5	7.4	4.8
Denmark (1)	12.3	3.5	3.5
Netherlands (2)	9.6	7.3	2.1
Italy	19.7	14.0	5.0
Limited indexing	10.4	8.7	1.5
France	14.5	9.6	4.4
Canada	7.7	9.6	4.4
U.S.	7.5	7.8	-0.2
Switzerland (3)	5.1	3.9	1.2
Great Britain (4)	17.3	16.0	1.1
No automatic indexing	11.5	8.1	3.2
Austria	9.9	6.3	3.4
Japan	13.3	9.0	3.9
West Germany	8.2	5.1	3.0
Sweden (5)	14.9	12.1	2.5

1) 1971-1979; 2) 1972-1980; 3) 1974-1980; 4) 1974-1980; 5) 1972-1978.

Source: Calculated on the basis of the "Yearbook of Labour Statistics," ILO, 1981; the "Small Statistical Yearbook," 1982; and Z. Jacukowicz, "Methods of Adjusting Wage Increases to Price Increases in the Capitalist Countries;" Selected thematic reports, IPiSS, Warsaw, 1980.

In each of the three groups of countries, there are countries with high and low price increases. The average (unweighted) increase in prices in the three groups of countries was approximately the same. On the other hand, the rate of the increase in real wages in the countries using indexing was on the average almost twice as high as in the countries using indexing with a limited scope, and only a little lower in the countries not using indexing. Although this is a result of many other factors, one can nevertheless risk asserting that the protection of real wages is more effective in the countries using indexing.

The effect of indexing on inflationary processes obviously depends on the indexing formula, the frequency of its use, and the threshold adopted. It is universally asserted that it is extremely rare that indexing makes possible full protection of real wages; it usually means only a partial compensation for the increase in living costs.

Under Our Conditions

It is worth while to have all of this in mind when discussing the indexing methods that should be used under our conditions. They are presently characterized by a decline in real wages, and a profound market imbalance. In such a situation the application of full compensation is virtually impossible, since the increase in worker emoluments obtained in this manner will not be covered by the supply of goods and services. There are nevertheless many forms of partial or selective compensation that can also be used under the conditions of a decline in real wages and a market disequilibrium.

Before I present two possible variants, I would like to call attention to the chief aim of partial compensation. Under the conditions of inflation, workers are inclined to treat the entire increase in emoluments as compensation for the increase in living costs, even when formally indexing is not used. The same thing happens when real wages are actually growing. This causes a constant pressure on wage increases, regardless of the results of the work. The use of partial or selective indexing creates greater clearness in the increase in emoluments, and makes it possible to use sharper criteria for linking increased emoluments to an improvement in work results. All workers receive a certain mimimum compensation, which obviously does not cover the increase in living costs, while the rest of the increase has to be handled by increased productivity or better work. In the second place, the use of indexing reduces social barriers and dissatisfaction with price increases, which under certain conditions can be inevitable.

The opponents of the utilization of indexing put forward the argument that under the conditions of a market imbalance, all forms of compensation intensify this imbalance even more. In their opinion, the entire increase in nominal wages has to be shifted to an increase in productivity, which will make possible a more rapid increase in production and a restoration of market equilibrium. This argument contains one weak point, namely the assumption that an increase in prices will not have a direct effect on wage decisions in plants. It is an unresolved and disputed issue whether the increase in nominal wages will be faster under the conditions of the use of partial (or selective) compensation, or under the conditions of a complete rejection of it. In view of this, it is worthwhile to weigh a couple of possible indexing variants, taking into account the realities of our economy in the next few years.

The formulation of indexing variants for the years 1983-1985 requires determination of the probable increase in real wages. We will assume that prices will increase in the range of 15-20 percent each year. The increase should not exceed 20 percent a year, however. For this purpose we should conduct a policy of controlled inflation. It probably will not be lower than 15 percent, since it will not be possible to straighten out the economy, eliminate subsidies, and restore market equilibrium.

We will adopt two alternative assumptions regarding the anticipated formation of real wages; a) real wages will increase by several percent, but the increase will be small; and b) real wages will not increase, but there will not be a further decline in wages with respect to 1982, but instead there will be a reduced market disequilibrium and inflationary overhang. This will considerably improve the quality of life and the real value of the wages received, since there will be increased possibilities of selecting and purchasing the goods sought for.

Two assertions can be derived from these assumptions. First, under the conditions of such a large increase in prices it will no longer be possible to neglect the necessity of indexing. Second, the slight possibilities for increasing real wages will indicate the need for realism in establishing the principles of indexing.

Variants of Wage Indexing

Proceeding from these premises and assertions, we think that these variants of wage indexing are possible in the years 1983-1985.

Variant A assumes that the basis for wage indexing is an increase in living costs at the level of the critical social minimum for a working individual. The minimum wage should be consistent with the level of the social minimum. The index of the increase in living costs, calculated on the basis of the basket of the social minimum (or the average increase in living costs) will be related to the minimum wage. Wage indexing will be established in a lump sum form, equal for all workers employed in the socialized economy.

Indexing based on the minimum wage will protect the purchasing power of each wage only up to the level of the social minimum; on the other hand, it will not protect amounts in excess of the social minimum. The increase in wages as a result of indexing will absorb from 28 to 34 percent of the overall increase in nominal wages, depending on whether a semiannual or annual interval in granting it is used. The rest of the increase in wages (about two thirds) can be shifted to paying for productivity, vertical and horizontal advances, etc. This variant will make it possible to combine indexing with a wage policy directed toward increasing the producivity of labor. Thus, I think that without the use of uniform principles for indexing, it is not possible to implement effectively the principles for emoluments for work results. These principles are and will be broken by the pressure of inflation and the increase in living costs. Without the establishment of principles and rules, and a determination of the part of wages is to be protected by indexing, what part the worker has a right to, what sort of better work he has to perform himself, what kind of productivity, etc., it is not possible in practice to carry out an effective wage policy.

It should be considered that this variant will create better conditions for conducting a rational wage policy at plants than a variant completely rejecting the system of indexing.

Variant B is based on the assumption of the protection of average wages, but is nevertheless selective in nature. Indexing only applies to the part of the living costs which has not been covered by the natural increase in wages in a given year. If, for example, in 1983 living costs increase by 20 percent, then in 1984 there will be an icrease in wages through automatic indexing to cover this difference.

In this variant, indexing does not apply to the increase in living costs, but rather to the part of it whose amount depends upon the difference between the increases in wages and prices during the preceding year. The cost of wages also depends on this difference; it will probably be lower than in variant A. Nevertheless, it has the disadvantage that it will not create the conditions for a rational wage policy. In addition to this, it should be used selectively for different industries and sectors of the economy, or different groups of employees, which is not an easy matter.

Variant C will limit indexing exclusively to minimum wages. It will then serve the function of protecting the lowest emoluments. An increase of wages in all categories of classification will depend on the results of work. An automatic increase in minimum wages can lead to a reduction in the range between the lowest rates and the highest ones. In order to avoid this, modification of individual rates is necessary. This modification, however, should be done only for the higher rates, within the framework of the forked rates planned for individual categories of classification. This eliminates an automatic increase in the rates of individual classification of individual workplaces as the minimum wage increases.

Regardless of the choice of a variant for wage indexing, in the sphere of material production, it will be financed from their own resources by the enterprises designated for emoluments, and in the budget sphere, by the state budget. The costs of indexing are considerable (3). They have to be taken into account when putting into effect an indexing system. Under the conditions of a stagnation in real wages or a small increase in them, indexing can, to a considerable degree, hinder a selective policy for increasing emoluments associated with the results of work. Only the variant of indexing based on the minimum wage and carried out at yearly intervals will make it possible to conduct a selective policy for increasing emoluments associated with productivity.

The center cannot impose indexing principles on enterprises. It can only at most recommend to them a specific optimum variant. Enterprises should decide themselves whether it is easier to conduct a wage policy without indexing, or whether indexing will create better conditions for greater clearness and effectiveness in the policy for increasing emoluments.

FOOTNOTES

1. J. Cousineau, R. Lacroix, "Wage Determination in Major Collective Agreements," Economic Council of Canada, 1977, p 15.

2. "Guidelines Governing Wage Indexation," European Communities, Social and Labour Bulletin, ILO, 1981, no. 4, pp. 437-439.

3. Indexing costs are discussed by the author in more detail in his paper in POLITYKA SPOLECZNA no. 10 of October 1982.

9909
CSO: 2600/498

PREMISES OF ECONOMIC REFORM CHALLENGED AT ECONOMISTS SEMINAR

Warsaw ZYCIE GOSPODARCZE in Polish No 12, 20 Mar 83 p 13

[Article by M.K.: "An Oversight"]

[Text] "Price Policy and the Economic Reform"--that is how the program title was worded, rather interestingly it should be admitted, for the panel discussion organized by the Economic Theory and Economic Policy Section of the Polish Economics Society. The panel discussants were confronted by Wojciech Pruss, first vice minister for prices. Contrary to the original expectations, the main theme of the debate centered not on the first, but rather on the second element of the program title. Holding a debate on the reform at a time when the package embracing its main statutory provisions had already been passed struck the minister as being less than thrilling and sort of behind-the-times. But the assembled discussants had their way, even though the moderator, that is, W. Pruss tried to keep the debate from straying beyond the bounds of the subject matter reflected in the program title and also his own area of expertise, assuming that Minister Baka would have been invited instead to a debate on the reform, since why would a "prices man" be invited unless it were to discuss those aspects of the reform embraced by prices.

According to Minister Pruss, the price reform was supposed to serve two purposes: one--to lay the groundwork for enterprise self-financing; and two--to bring supply into balance with demand. The first goal, in the minister's opinion, proved to be attainable. The ratio of sales earnings to production costs is the measure of success. In 1981 this ratio was approximately 98 percent, whereas in 1982--after the price increases--it came to 109 percent. Hopes invested in achieving the goal of market equilibrium remained unfulfilled. Why?

Price increases were supposed to be just one feature of the program for restructuring the pricing system. "It was assumed," said the minister referring to the "Guidelines for the Reform...." [announced by the PZPR 9th Special Congress], "that there would be such a thing as equilibrium prices." The only rare exceptions to this rule were supposed to be the prices charged for regulated articles, the availability of which has an impact on living standards, and the prices charged for primary raw materials and fabricating materials. Reality lagged far behind these assumptions.

Equilibrium prices are virtually non-existent. The process for setting contractual prices, which presumably are supposed to bring supply and demand into balance, is based, as is similarly the case with controlled prices, on the cost formula, the only difference being that profits surcharge do come more into play. The unhealthy climate surrounding the issue of equilibrium prices in particular (and the issue of contractual prices too for all practical purposes) and the still imperfect system of taxation create a situation in which enterprises have no interest in charging these kinds of prices. So, they use prices partially as a record-keeping and accounting device and partially as a marketing device. But this just serves to put off the advent of equilibrium. W. Pruss takes the view that to keep on raising prices and just wait for output to increase is tantamount to suicide. At this point one would have thought that the panel discussants would have launched a bold attack, that they would have started citing facts and figures on the structure of personal incomes and spending, on worker incomes in different branches of industry, and that we would have heard some comments about the structure of production. But there was nothing of the sort. Instead, views were expressed along the following lines:

Discussant No 1: "Before the reform most enterprises were making a profit (sic!--M.K.), so there was no reason to change prices in order to make them self-financing."

Discussant No 2: "The disequilibrium in the marketplace and the rapid rise in prices is a direct consequence of this supposedly wondersul reform. This is essentially a reckless plan which they want to implement quickly without paying any heed to critical factors of social psychology."

Discussant No 3: "We're setting up a marketplace along 19th century lines that is supposed to set prices. We are forgetting that ideas on the order of equilibrium prices are alien class concepts."

So, the views expressed by the panelists went rather far beyond the scope of the prices issue and, thus, went so far as to question the purpose of the economic reform and underlying principles of the political system.

To be sure, the question challenging the purpose of the economic reform was not raised directly--it's obviously still too early for that, but it was implicit in most of the statements made. It was hanging in the air over the heads of the panelists as they proceeded to quote facts and figures on the payroll frenzy which broke out during the last month of 1982.

So, it was up to Minister Pruss to prove that it was not the underlying premise of the reform, but rather specific misguided measures which have not worked out and even worked to the detriment of the reform. As an example of one such measure he mentioned the excessive number of exemptions from the FAZ [Vocational Activization Fund] tax, a practice which has contributed to the slackening of wage discipline. He said that the reckless payroll disbursements made during the last quarter of 1982 are a myth. On the one hand, it is after all true that this sort of thing occurs typically, whereas, on the other hand, this is most likely an isolated occurrence. He corroborated statements resounding from various quarters, though, unfortunately, not from this forum organized by the Polish Economics Society, that are offering evidence of the fact that this was not a manifestation of arbitrariness on the part of enterprises, but rather a result of specific decisions made at the national level on an ad hoc basis and having nothing to do with the reform.

CSO: 2600/685

GNA SESSION TREATS INQUIRY ON ANIMAL HUSBANDRY SHORTCOMINGS

Guilty Parties Held Responsible

Bucharest ROMANIA LIBERA in Romanian 28 Mar 83 p 4

[Proceedings of the Session of the Grand National Assembly]

[Excerpts] The proceedings of the 7th session of the eighty legislature of the Grnad National Assembly continued on 26 March. The deputies and guests listened to the report of the Commission of Inquiry on violations of agrozootechnical laws and norms, an investigation undertaken as a result of requests made by some deputies at the preceding session of the Grand National Assembly. The report was presented by Comrade Emil Bobu, the chairman of the commission.

Comrade Nicolae Ceausescu asked that the Grand National Assembly be informed about the measures taken against those persons guilty of violating agro-zootechnical laws and norms.

In response to the request of the secretary general of the party, deputy Ion Tesu, minister of agriculture and the food industry, said:

"The comrade secretary general was justified in asking about the concrete measures taken as a result of this inquiry. I would like to inform the Grand National Assembly that as a result of this investigation and of the measures prescribed by the leadership of the party, for the extension of control in the counties, the guilty parties have had to pay a large sum of money in reparation for the losses caused by the deaths of the animals; in 19 cases, the persons responsible were brought before the organs of justice; in six counties cadres were replaced, at the level of the county agricultural directorates; 30 cadres in complexes and units were replaced. Also, the Commission of Inquiry established a number of measures which are being carried out.

Also, I would like to inform the Grand National Assembly that both the health inspection and control corps and the apparatus of the ministry are taking action to recoup all the losses noted, as well as to apply measures which will lead to the elimination of all deficiencies".

Deputy Gheorghe Stoica, member of the Commission of Inquiry, said:

"In light of the responsibilities assigned to different factors and to the agricultural leadership, considering the fact that serious shortcomings have been manifested in some units, in providing fodder and ensuring veterinary health care, I propose that the Grand National Assembly give a warning to the deputy minister who deals with animal husbandry and that he be given six months to demonstrate that, using his position and authority, he is able to ensure that the entire apparatus of the ministry and of the territorial organs take measures to remedy the deficiencies which have appeared, and radically improve activity in this field. I propose that a warning to be given to the director of the Veterinary Health Directorate, the director of the Directorate for the Fodder Base in the Ministry of Agriculture and the Food Industry, as well as the Director of the Central Institute for Animal Nutrition Problems, who have great responsibilities in connection with the coordination, and organization of labor, and control of the implementation of measures of the party and state."

Comrade Constantin Dascalescu, prime minister of the government, proposed, in light of the fact that a member of serious incidents had occurred in the state agricultural units, that the same warning be given to the head of the Department of State Agriculture, and that he demonstrate, within a six-month period, whether or ot he can manage this sector.

In regard to the report of the Commission of Inquiry, the Grand National Assembly Bureau proposed the adoption of a decision whose test was read by Comrade Nicolae Giosan, chairman of the Grand National Assembly.

Comrade Nicolae Ceausescu proposed that the decision be supplemented by the provision that, in the fall session, the National Council for Agriculture, the Food Industry, Silviculture and Water Management and the Ministry of Agriculture and the Food Industry should report to the Grand National Assembly on how they have implemented the specified measures.

With the proposed amendments, the Grand National Assembly unanimously adopted the decision in regard to the report of the Commission of Inquiry.

Report of Commission of Inquiry

Bucharest ROMANIA LIBERA in Romanian 28 Mar 83 p 4

[Decision on the Report of the Commission of Inquiry of the Grand National Assembly]

[Text] The Grand National Assembly of the Socialist Republic of Ramonia, being aware of and discussing the report of the Commission of Inquiry in regard to the failure of some agricultural units to observe the provisions of the law regarding the feeding, care, shelter, and health of animals, decides:

1. That the report of the Commission of Inquiry should be approved.

2. For the failure to execute with complete responsibility the tasks assigned to them for the application of the laws which regulate activity in the field of animal raising and the provisions of the programs for the development of animal husbandry,

--this should be called to the attention of the leadership of the Ministry of Agriculture and the Food Industry, the Department of State Agriculture and the National Union of Agricultural Production Cooperatives;

--a warning should be given to the deputy minister of agriculture and the food industry who is responsible for matters dealing with animal raising and to the chief of the Department of State Agriculture and they should be given a maximum of six months to demonstrate that they have drawn all the necessary conclusions from the shortcomings noted and that they have taken all measures for the application of the programs adopted by the leadership of the party and the state for the radical improvement of animal husbandry activity;

--a warning should be given to the director of the Directorate for the Fodder Base, to the director of the trust of enterprises for the production of combined fodders, to the directof of the veterinary health directorate, and to the director of the Institute for Animal Nutrition and Biology.

3. That the Ministry of Agriculture and the Food Industry, the Department of State Agriculture, the National Union of Agricultural Production Cooperatives, the specialized research institutes and stations, the peoples councils and the local agricultural organs are obliged to take measures so that in all state and cooperative agricultural units there will be assured:

a) strict observance of the norms for caring for and feeding animals and of the veterinary health regulations stipulated by law;

b) the production of the necessary numbers of all species and categories of animals, the judicious organization of reproduction, an increase in the birth rate index, the delivery of animals at the established average weights, the elimination of losses as a result of deaths, as well as the strict observance of legal norms in regard to the slaughtering of animals;

c) the firm application of programs for the production of fodders, in the structure and quantities stipulated in the technology for raising each species of animal, utilizing with maximum effectiveness natural and cultivated grasslands, ensiled forage crops and other fodder resources;

d) the completion of work for the modernization of animal husbandry farms, replacing ineffective technologies with simple, highly productive technologies providing the necessary hygiene and microclimate conditions in all shelters;

e) the strict observance of the provisions of the law referring to the registration, circulation and sale of animals;

f) the continuation and improvement of the vocational training of animal husbandry workers, the strengthening of order and discipline in this sector of activity, the strict observance of the daily activity program in all the animal husbandry farms and complexes.

4. In the session held in the fall of 1983, the National Council of Agriculture, the Food Industry, Silviculture and Water Management and the Ministry of Agriculture and the Food Industry will report to the Grand National Assembly on the way in which the measures set forth have been implemented.

Bobu Explains Commission Report

Bucharest ROMANIA LIBERA in Romanian 28 Mar 83 p 4

[Report of the Commission of Inquiry of the Grand National Assembly, presented by Emil Bobu, Chairman of the Commission, at the 7th session of the Eighth Legislature of the Grand National Assembly in Bucharest]

[Excerpts] As we know, as a result of comments made by some deputies at the December 1982 session, the Grand National Assembly decided that a commission of inquiry, made up of deputies, should investigate cases of failure on the part of some agricultural units to observe legal provisions dealing with the feeding, care, shelter and health of animals.

On the basis of this decision, the Bureau of the Grand National Assembly set up a commission of 11 deputies which carried out investigations in state and cooperative animal husbandry farms and complexes involved in raising hogs, cattle, sheep and poultry, where most serious shortcomings were found, in Giurgiu, Calarasi, Bihor, Dolj and Suceava counties. The commission enlisted specialists from the agricultural education institutes and research stations, as well as cadres from production, to take part in the action.

Despite the fact that a number of successes have been achieved, in some units there have been shortcomings, especially in animal husbandry. The existence of such situations in the area of animal husbandry prompted some deputies to propose that the Grand National Assembly investigate cases of failure on the part of some agricultural units to observe legal provisions dealing with the feeding, care, shelter and health of animals so that the necessary measures could be taken.

We inform the Grand National Assembly that the investigation undertaken by the commission has revealed that in some of the state and cooperative agricultural units monitored there have been violations of legal provisions, resulting in lowered birth rates, losses as a result of deaths and necessary slaughterings in excess of the admissible limits. This situation resulted from insufficient concern for the production and use of fodder, and for the application of technologies, norms for the care of animals and veterinary health regulations.

Firm action was not always taken to increase the production of fodder on cultivated areas, to improve the structure of fodder plants, to harvest, store and preserve fodder under good conditions; in some places, fodder remained in the fields, untransported, and some quantities deteriorated because of improper storage, which was a contributing factor in the sickness of the animals. Also, not all the units exerted consistent efforts for cleaning, maintenance, fertilization with organic fertilizers, regeneration and hygienization of natural grasslands, for the full utilization of this great resource of the country, with a view to increasing the number of animals and yields. Also, there were situations in which the fodder norms provided by law were not observed, the existing fodders were not prepared and used with maximum productivity and efforts were not made to avoid waste. Also, some factories have not made regular deliveries of the entire quantity of combined fodders, observing quality indices. All these things led to the appearance of nutritional diseases which have caused losses of hogs and chickens, as well as smaller increases in weight.

The investigation revealed that because of lack of concern for setting up farrowing houses and sectors for raising the young animals, for maintaining and preparing shelters for the winter, some units have not provided good microclimate conditions, which has had a negative influence on the fulfillment of the indices for animal husbandry and has resulted in losses of animals.

Also it was discovered that some managements of animal husbandry complexes in the state and cooperative sector of agriculture have not organized production properly and have not exercised a systematic and strict control over the activity of each sector or workplace, in order to impose discipline and maximum responsibility for the tasks entrusted.

The Commission of Inquiry found that animal losses were also a result of the improper manner in which some specialists in the units monitored and in the veterinary health system carried out their job and applied legal provisions in regard to the care and feeding of animals, the assuring of hygienic conditions in the shelters and the animal husbandry farm enclosures, the prevention and combatting of diseases and the protection of the health of the animals.

The deficiencies revealed by the investigation are also a result of the fact that steps were not taken everywhere to ensure the continuation and improvement of the vocational training of the animal caretakers, to ensure that they rigorously observe the daily work program and the technological and veterinary health norms.

The Commission of Inquiry of the Grand National Assembly found that considerable responsibility for the shortcomings manifested in some animal husbandry complexes and farms under study is borne by the Ministry of Agriculture and the Food Industry, the Department of State Agriculture, the responsible sectors in the ministry, and the National Union of Agricultural Production Cooperatives which have not always strictly exercised their powers under the law for the direction and supervision of animal raising activity and have not taken effective and decisive measures for the solution of all problems affecting increases in the birth rate and well as for the prevention of losses through deaths and necessary slaughtering.

The commission believes that although the peoples councils are plan holders on a territorial basis and have the obligation to guide and monitor the county agricultural organs and production units, in some situations they have not acted firmly to carry out in an exemplary manner the tasks assigned to them by law in important fields, such as the wise utilization of all existing fodder resources, the application of veterinary health norms, the instilling in the cadres of a strict and responsible work attitude, the systematic monitoring of the implementation of special programs for the development of animal husbandry. Some county and commune peoples councils have not taken action quickly and effectively to stop so-called necessary slaughterings which, as the investigation made by the commission reveals, were not always an expression of the actual situation but, actually, were slaughterings for personal consumption, thus violating the provisions of the program for self-management and self-supply. Also, some local organs of state power and administration have not ensured strict observance of the legal provisions and norms which regulate the circulation and sale of animals.

While the investigation was being carried out, the commission, along with the local organs, undertook a number of actions for the elimination of the deficiencies and manifestations of lack of discipline noted and for the strengthening of responsibility in work and strictness in the execution of tasks. The persons responsible were charged with damages caused to public property. Some cadres were removed from their positions and, in more serious cases, the penal invetigative organs were notified. We are reporting to the Grand National Assembly that in some complexes and farms monitored, the measures led to better results in animal husbandry even during the time of the investigation.

In light of the conclusions reached, the Commission of Inquiry proposes to the Grand National Assembly that the attention of the leadership of the Ministry of Agriculture and the Food Industry, the Department of State Agriculture and the National Union of Agricultural Production Cooperatives be drawn to the shortcomings discovered in the activity of some animal husbandry complexes and farms in some counties in which the investigation was carried out, since they have not demonstrated the necessary responsibility in the application of the laws which regulate activity in the field of animal raising and in the application of programs for the development of animal husbandry. Also, warnings should be given to cadres in the specialized sectors of the Ministry of Agriculture and the Food Industry, the Department of State Agriculture, which, according to the law, have direct responsibilities in the field of providing and using fodder, and applying established technologies and veterinary health regulations.

For the prevention, in the future, of the deficiencies noted, the central organs mentioned above, all the peoples councils and local agricultural organs, the leaderships of state and cooperative agricultural units should act with firmness and increased exactingness, in the spirit of the decisions of the 12th Congress and National Conference of the [Romanian Communist] Party, and of the provisions of the law to ensure:

--the strict observance of the norms of caring for and feeding animals and the veterinary health regulations provided by law;

--the production of the necessary number of animals for all species and categories of animals, the judicious organization of the reproduction process, an increase in the birth rate index, the delivery of animals at the established average weights, the elimination of losses as a result of deaths, as well as the strict observance of legal norms in regard to the slaughtering of animals;

--the obtaining by each unit of a fodder supply which is balanced both in quantity and quality, the judicious management and use of all fodder resources, the execution of the entire volume of projects specified for the maintenance, fertilization and regeneration of natural grasslands;

--the completion this year, before the animals go into the stables, of all the work for the modernization of the animal husbandry farms;

--the strict observance of the norms for taking care of the animals, for the hygiene of shelters and enclosures in the animal husbandry farms, the veterinary health regulations, the legal provisions dealing with the registration, circulation, sale and slaughter of the animals;

--the judicious organization of production and labor, the strengthening of order and discipline, the raising of the level of vocational training of workers in animal husbandry and their continuing education;

--the consistent application of all provisions of the special programs for the development of animal husbandry.

The Commission of Inquiry of the Grand National Assembly believes that all the material and technical-organizational conditions have been provided for the continued improvement of activity in the animal-raising sector which can and must make a greater contribution to the development of our national economy and the application of the provisions of the programs of territorial self-supply and self-management.

Minister of Agriculture, Others Comment

Bucharest ROMANIA LIBERA in Romanian 28 Mar 83 p 5

[From the speeches of participants in the discussion at the seventh session of the eighty legislature of the Grand National Alsembly]

[Excerpts] Deputy Ion Tesu, minister of agriculture and the food industry said: I would like to express my agreement with the conclusions of the report of the Commission of Inquiry which investigated the causes of the failure on the par t of agricultural units to comply with legal provisions in regard to the feeding, care, shelter and health of animals.

As the report presented to the Grand National Assembly shows, the results achieved in some units do not fully reflect the existing material possibilities and the production experience accumulated in recent years in animal raising.

The failure to execute the tasks in the animal husbandry sector and the losses of animals through deaths and necessary slaughterings are a result, mainly, of manifestations of lack of discipline in the application of technologies of animal raising and veterinary health norms, in assuring the proper microclimate conditions, in feeding and caring for animals, preparing shelters and adhering to work schedules in the farms.

In some State Agricultural Enterprises and Agricultural Production Cooperatives, there has not been sufficient concern on the part of the leadership cadres and specialists for the production, storage, and wise use of fodder. Small yields of fodder with an unsuitable structure were achieved per hectare, which led to the preparation of feed with unbalanced proportions of ingredients and the use of the fodder without preliminary treatment, thus resulting in small increases in weight, low milk yields, and an inadequate birth rate. All these things were possible as a result of weak concern on the part of the leadership of the ministry and of the apparatus which coordinates this activity in the ministry, the specialists in the county general agricultural directorates, the general agroindustrial councils and the units for monitoring, with full responsibility, the way that production discipline and technologies were implemented and veterinary health care was provided.

On the basis of the instructions given by Comrade Nicolae Ceausescu, secretary general of the party, at the expanded plenum of the National Council for Agriculture in December 1982, and learning a lesson from the activity of the past year, the Ministry of Agriculture and the Food Industry, together with the county agricultural organs, after a thorough analysis carried ou in the counties and units, established a broad program of measures for implementing the tasks of the plan in regard to the number of animals and yields of animal products.

I am informing the Grand National Assembly that present situation in animal husbandry is much improved, in regard to the physiological condition of the animals, the yields, the birth rate, and the reduction of deaths and necessary slghghterings.

A schedule for providing fodder has been established for each farm, through a better division of the areas and crops among the units. Also, measures have been taken for the improvement of pastures and hayfields, an important source of fodder for our country, by the application of the provisions of the program approved for this purpose.

The activities of setting up farrowing houses and nurseries for young animals, of putting installations for the preparation of fodder into operation in every unit, and of improving shelter construction, have been continued and the program for the modernization of all animal husbandry units will be completed this year.

In order to improve veterinary health activity, specialized personnel have been reassigned to the districts, industrial complexes and production units. This action better responds to needs in the field and also increases the effectiveness and responsiveness of the activity of the veterinary health apparatus.

At the same time, the activity of the veterinary health inspectorate in the ministry and the county agricultural organs has been strengthened, for the purpose of ensuring continuing control over the implementation of veterinary health legislation and norms.

We assure the Grand National Assembly, the highest leadership of the party and state, and you personally, most esteemed Comrade Secretary General Nicolae Ceausescu, that the Ministry of Agricultura and the Food Industry, together with all the county agricultural organs, with all the agricultural workers, will act with responsibility, exactingness and firmness to strengthen order and discipline, to eliminate deficiencies and shortcomings which have existed in the animal raising sector, for the purpose of fulfilling the 1983 plan and carrying out the provisions of the program on self-management and self-supply.

Expressing his agreement with the report of the commission, deputy Vasile Musat [Giurgiu County] said: We have not always acted efficiently, according to the law, to organize production and labor, to strengthen order and discipline, to firmly apply technologies, and veterinary health norms, and to continually improve the training of workers. There have been manifestations of lack of discipline, lack of responsibility and negligence in the execution of tasks. There have also been deficiencies in the production of fodder, in ensuring its regular supply and ensuring that the fodder has the proper composition and is properly stored and apportioned.

We are aware that these deficiencies are out fault, first of all, and we are determined to eliminate them. At the same time, we would like to mention that the Ministry of Agriculture and the Food Industry and the Department of State Agriculture have not always given the necessary assistance to the local organs, to the directors of those units where deficiencies have occurred.

Deputy Teodor Coman [Vilcea County] said that in some units in Vilcea County, as the report stressed, there were a number of deficiencies in regard to the feeding, care, shelter and health of animals, which caused losses of animals above the allowable limits, with direct effects on production, on deliveries to the state, and on economic and financial achievements. The greatest losses, the speaker said, were in the poultry sector, as a result, in particular, of shortcomings in the organization of production and labor, in cadre training, in providing and handling fodder, and in direction and control activity. As a result of delays in putting production capacities into operation, we have not been able to obtain the necessary number of brood chickens from our own units and have had to populate the farms with chickens brought from great distances which has resulted in losses as a result of deaths. Within two months, a farm of brood chickens and an incubating farm will be put into operation so that we will be able to provide the necessary number of chickens for meat from our own production. Efforts are being made to put a slaughterhouse into operation as quickly as possible so that the entire production can be processed and delivered promptly, with minimum expenses.

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SALARIES OF POLITICAL OFFICEHOLDERS DISCUSSED

Belgrade BORBA in Serbo-Croatian 7 Mar 83 p 5

[Article by B Gulan, S Haderdjonaj, I Lakusic, F Nikocevic, V Ninkovic and S Vukmirovic: "Figuring 'Salaries' By--Calculator"]

[Text] Although many are dissatisfied with "coefficients and multiplication," the method used up till now for calculating personal incomes will not soon be replaced by a new method.

Somehow it is always like this with personal incomes: We do not like to talk a great deal about our own. We are inclined to keep silent about our incomes even when they are low, fearing, probably, that simple folk belief: a low salary means you are not worth very much. Those persons who earn more than the average, particularly those earning the highest salaries, are even more "tightlipped".

Those who do not have the most peaceful consciences are silent; they are not going to look for trouble. Their "story" could cause a social reaction which would trim back their incomes. Those, again, who think politically--and at issue here are, primarily, the sociopolitical workers--even when highly convinced that they are getting shorted rather than being overpaid for their work only grudgingly agree to talk: they know that among the millions of people who create the income of this country, the majority, nevertheless, earn wages which are many times lower, and somehow they feel "guilty even though they've done nothing wrong."

This last point also hindered our task to a certain degree; and our task was not overly ambitious. We simply wanted to inform readers how public and political personalities--from those at the opstina, republic and provincial levels up to the federal level--make out when this income is distributed. We do not know who was more "bashful", our correspondents in asking questions or the competent persons in answering them. At any rate, we have no data from several republics. What we do have, however, shows that, as a rule, the differences "in accounting" are not great and no one will get rich legally in this country on an "official's salary."

A fairly well-developed ranking dealing with the salaries of officials has been in existence for some time. The policy in this area, and for the entire country, was rather uniformly established thanks to joint bases upon which all social agrements which are in force were built.

Base Rates and Coefficients

Someone, quite happily, devised the technique for coming up with official "salaries." When an individual is appointed to some duty, he is immediately assigned a so-called coefficient for calculating personal income. The responsibility, complexity of the job and, understandably, intensity of the work stipulate the size of that coefficient but in no case can it be greater than five. The only other element necessary to figure the salary, at least as the system was conceived, is a calculator. The established magical number must be multiplied by the average personal income of the milieu in which the official is working and, voila, "the salary." This does not include compensation for past labor, which is added and which grows, as for all employed persons, with experience.

One should notice that, as with everything which appears simple on paper, it sometimes becomes awfully complicated in real life. Is it, for example, "legal" that in some superdeveloped opstina which has a high average personal income, the president of the opstina assembly earns more than the president of the republic or, even, of the federal government? And that can easily happen, and often does, when this purely calculator-type method is used.

But, let's leave these "impossible problems" to future attempts to complete the system. Instead, let's look at some actual "salaries," beginning with officials at the federal level. For instance, how much do the president of the Presidency of the Conference of the SSOJ [Socialist Alliance of Youth of Yugoslavia] and other youth organization officials earn each month? The alliance's top official, its president, has a salary calculated with a coefficient of 3.1. This number is multiplied by a uniform "base rate for the federation" of 9,040 to obtain the actual personal income of the president--28,929 dinars, not including compensation for past labor. The secretary of the alliance management gets 28,024, and members of the presidency (with a coefficient of 3) get 27,120 dinars each.

Less Than Agreed Upon

This base rate of 9,040 dinars, one easily notes, is a few thousand lower than the average personal income in Yugoslavia, which means that officials in the federation "are paid in accordance with the stabilization program": less than what should result from the social agreement which is in effect. We will see later that this same policy is conducted also in the republics and provinces.

The president of the Federal Chamber of Commerce, whose coefficient is 4.2, has a personal income of 37,968 dinars, and members of the presidency receive 34,352 dinars each. All these amounts, as well as the other amounts we will mention, leave out compensation for past labor. Last year's average personal income for members of the presidency of the Council of the SSJ [Trade Union Confederation of Yugoslavia] was 33,547 dinars. The person acting as president of the presidency, although he receives the same personal income as the other members, when in that position receives a special supplement of 4,700 dinars more.

In the case of the FEC [Federal Executive Council], interestingly, several months ago, at its own initiative, it came out publically with data on the salaries of its officials, and that included complete figures which also contained compensation for past labor. At a press conference which had been devoted to the budget, the following was reported in a straightforward manner: Comrade Mikla Planinc, president of the FEC, receives, 50,986 dinars in her monthly envelope. Members of the federal government--and these figures also include compensation for past labor--earn from 37,000 to 47,000 dinars monthly. The highest coefficient in use in the federation is 4.8 and is used to calculate the personal incomes of the members of the Presidency of the SFRJ [Socialist Federal Republic of Yugoslavia] and of the president of the FEC.

The existing social agreements, their joint bases, make logical the differences which appear in officials' salaries from republic to republic and between Kosovo and Vojvodina. The differences occur, first of all, because the average personal incomes are also different, and, thus, also the base rates which are multiplied by the "official's coefficient." Moreover, as in the federation, all established base rates are lower than average personal incomes in the republics or provinces.

The base rate is lowest in Montenegro--8,100 dinars--or 27 percent less than the republic's average personal income. When this base rate is multiplied by the highest republic coefficient, 4--which only the president of the republic presidency and the president of the CC [central committee] of the LC [League of Communists] possess--the highest official salaries are obtained: 32,400 dinars not including compensation for past labor. The coefficient is 3.8 for the president of the republic assembly and of the Executive Council, and 3.2 for members of the republic government.

It is very similar in Kosovo: The base rate was established at 8,427 dinars and coefficients range from 3 to 4 for the most prominent provincial managers. The personal incomes of officials are rather modest even in the most developed opstinas, such as in Pristina: The president of the opstina assembly earns 28,826 dinars, excluding compensation for past labor, and members of the executive council of the opstina assembly each receive 23,240 dinars.

Vojvodina's base rate for calculating the personal incomes of provincial officials is somewhat larger, amounting to 9,445 dinars but, nevertheless, it is considerably lower than the province's average personal income last year (about 13,000 dinars). With a coefficient of 4.2, the president of the CC of the LC of Vojvodina has, for example, a personal income of 39,569 dinars, (not including past labor compensation). Members of the presidency of the CC of the LC Vojvodina have a coefficient of 3.6. The president of the provincial council of the SSV earns 35,891 dinars (coefficient 3.8), and the president of the provincial executive council earns 37,780 dinars, all exclusive of compensation for past labor.

Plenty of Unavoidable Dissatisfaction

A new social agreement will be signed in Bosnia and Hercegovina soon. It has the characteristic of being a general agreement for the entire republic and limits the highest personal income to 3.68 times the average personal income from last year. This, practically speaking, means that no personal income in the republic will be more than 42,100 dinars (excluding past labor compensation), and that has occurred in the past; some presidents of basic economic chambers or of business councils of COALs [Complex Organizations of Associated Labor] had personal incomes greater than the president of the presidency of the republic, the president of the republic assembly or the president of the CC LC.

In any event, all this simple and calculator-type figuring of personal incomes has generated, practically from the beginning, plenty of unavoidable dissatisfaction. This dissatisfaction is often expressed in the trade unions and in the chambers of commerce. The principle remarks boil down to the system, in totality, not being at all in line with the law on associated labor. The remarks are directed against the coefficients, the mechanistic multiplication of "magical" figures behind which no living person is seen to exist and which do not measure work.

Still, the fact that alternative offered up till now for replacing the existing system have been undeveloped portends that coefficients and calculators will be the only possible way for establishing "official salaries" for a while longer.

Remarks to Youth Organization Officials

In that newspaper space where the reactions of readers are published, many times one could read remarks on the "overly high salaries of Youth Organization officials." Actually, those remarks do not stand up to scrutiny at all when "Youth Organization" personal incomes are compared to others at the same level--they are always lower.

The remarks, however, have a certain justification when one keeps in mind that young people are at issue here who are just beginnning their working life--many of the officials are still studying--and none of them would have obtained a personal income even approximately that high had he been "employed normally". Along with this, an upside down "habit" is created for an income determined by coefficients, always very much above average; and many, when they are no longer young, fight tooth and claw for some other (paid) social office and, if possible, a larger coefficient.

And none of this is good, and it is entirely at variance with the personnel policy which we want to build and which is difficult for us to succeed in doing. Consequently, perhaps Youth Organization officials should be excluded from the system of salaries which are determined by agreements as is the case for all others, and link them to a greater degree with the financial position of their working contemporaries.

Ambassadors as--Multimillionaires?

It is entirely certain that, even with the highest official personal incomes, none of us will become right or a "multimillionaire"--as we popularly term, increasingly more often, this observed social phenomenon. But, nevertheless, for one category of official we should not make this claim in an overly absolute manner: at issue here are our ambassadors throughout the world. For instance, it is not difficult to imagine that those who had two or three terms as ambassadors would be able to push their savings to 1 billion old dinars, and even more than that--in foreign-currency dinars.

One can say with confidence that, in some countries and circumstances, when someone represents our country, he can, at the same time, very easily become rich by some of our standards. This is especially so because along with personal salaries, which reach about 200,000 dinars monthly (four times the "salary" of the president of the FEC), one must keep in mind at least two significant privileges.

--an ambassador pays neither for his residence nor his staff from his own pocket;

--he uses an official automobile (and a paid chauffer) without any obvious restrictions,and he also uses them for his private purposes.

--considering all the above, after two or three appointments and terms as ambassador, one can certainly save a great deal...or spend....

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